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 June 30, 2000

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 August 1, 2000, 47,144,345 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 June 30
Thousands of Dollars

	2000	1999
OPERATING REVENUES	$1,353,414	$1,411,736
OPERATING EXPENSES:		
Resource costs	1,287,295	1,297,210
Operations and maintenance	24,676	37,053
Administrative and general	35,040	28,936
Depreciation and amortization	18,832	19,223
Taxes other than income taxes	12,356	11,934
Exit costs - Avista Energy's Eastern energy business	2,958	-
Total operating expenses	1,381,157	1,394,356
INCOME (LOSS) FROM OPERATIONS	(27,743)	17,380
OTHER INCOME (EXPENSE):		
Interest expense	(15,230)	(15,006)
Net gain on subsidiary transactions	729	(884)
Other income-net	15,381	7,504
Total other income (expense)-net	880	(8,386)
INCOME (LOSS) BEFORE INCOME TAXES	(26,863)	8,994
INCOME TAXES	(5,370)	485
NET INCOME (LOSS)	(21,493)	8,509
DEDUCT-Preferred stock dividend requirements (Note 5)	608	5,384
INCOME (LOSS) AVAILABLE FOR COMMON STOCK	$(22,101)	$3,125
Average common shares outstanding (thousands), Basic (Note 5)	47,113	40,185
EARNINGS (LOSS) PER SHARE OF COMMON STOCK, BASIC (Note 5)	$(0.47)	$ 0.08
EARNINGS (LOSS) PER SHARE OF COMMON STOCK, DILUTED (Note 5)	$(0.47)	$ 0.08
Dividends paid per common share	$0.12	$.0.12
NET INCOME (LOSS)	$(21,493)	$8,509
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment	16	138
Unrealized investment gains/(losses)-net of tax	249	(154)
OTHER COMPREHENSIVE INCOME (LOSS)	265	(16)
COMPREHENSIVE INCOME (LOSS)	$(21,228)	$ 8,493

The Accompanying Notes are an Integral Part of These Statements.

\CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Avista Corporation

For the Six Months Ended June 30
Thousands of Dollars

	2000	1999
OPERATING REVENUES	$2,735,387	$2,647,931
OPERATING EXPENSES:		
Resource costs	2,545,956	2,385,263
Operations and maintenance	52,101	90,006
Administrative and general	59,747	59,448
Depreciation and amortization	37,982	38,297
Taxes other than income taxes	28,466	27,030
Exit costs - Avista Energy's Eastern energy business	7,865	-
Restructuring charges - Pentzer	1,940	-
Total operating expenses	2,734,057	2,600,044
INCOME FROM OPERATIONS	1,330	47,887
OTHER INCOME (EXPENSE):		
Interest expense	(29,966)	(31,758)
Net gain on subsidiary transactions	821	15,594
Other income-net	18,650	8,960
Total other income (expense)-net	(10,495)	(7,204)
INCOME (LOSS) BEFORE INCOME TAXES	(9,165)	40,683
INCOME TAXES	1,803	12,786
NET INCOME (LOSS)	(10,968)	27,897
DEDUCT-Preferred stock dividend requirements (Note 5)	22,518	10,767
INCOME (LOSS) AVAILABLE FOR COMMON STOCK	$(33,486)	$17,130
Average common shares outstanding (thousands), Basic (Note 5)	44,205	40,319
EARNINGS (LOSS) PER SHARE OF COMMON STOCK, BASIC (Note 5)	$(0.76)	$ 0.42
EARNINGS (LOSS) PER SHARE OF COMMON STOCK, DILUTED (Note 5)	$(0.76)	$ 0.42
Dividends paid per common share	$.0.24	$.0.24
NET INCOME (LOSS)	$(10,968)	$27,897
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment	57	358
Unrealized investment gains/(losses)-net of tax	403	261
OTHER COMPREHENSIVE INCOME (LOSS)	460	619
COMPREHENSIVE INCOME (LOSS)	$(10,508)	$ 28,516

CONSOLIDATED BALANCE SHEETS
Avista Corporation

Thousands of Dollars

	June 30, 2000	December 31, 1999
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$62,970	$40,041
Temporary cash investments	1,000	7,490
Accounts and notes receivable-net	668,223	530,774
Energy commodity assets	4,081,952	585,913
Materials and supplies, fuel stock and natural gas stored	32,544	28,352
Prepayments and other	99,046	21,499
Total current assets	4,945,735	1,214,069
UTILITY PROPERTY:		
Utility plant in service-net	2,153,893	2,184,698
Construction work in progress	32,250	30,912
Total	2,186,143	2,215,610
Less: Accumulated depreciation and amortization	696,367	714,773
Net utility plant	1,489,776	1,500,837
OTHER PROPERTY AND INVESTMENTS:		
Investment in exchange power-net	50,638	54,123
Non-utility properties and investments-net	145,636	137,213
Non-current energy commodity assets	929,643	491,799
Other-net	23,028	31,051
Total other property and investments	1,148,945	714,186
DEFERRED CHARGES:		
Regulatory assets for deferred income tax	160,594	166,456
Conservation programs	43,262	44,444
Unamortized debt expense	31,087	31,122
Other-net	50,563	42,380
Total deferred charges	285,506	284,402
TOTAL	$7,869,962	$3,713,494
LIABILITIES AND CAPITALIZATION:		
CURRENT LIABILITIES:		
Accounts payable	$735,186	$522,478
Energy commodity liabilities	4,093,826	594,065
Short-term borrowings	133,832	2,530
Taxes and interest accrued	22,334	35,123
Other	34,870	32,783
Total current liabilities	5,020,048	1,186,979
NON-CURRENT LIABILITIES AND DEFERRED CREDITS:		
Non-current liabilities	39,010	44,067
Deferred revenue	128,543	132,975
Non-current energy commodity liabilities	843,412	441,372
Deferred income taxes	364,049	377,049
Other deferred credits	104,170	11,041
Total non-current liabilities and deferred credits	1,479,184	1,006,504
CAPITALIZATION (See Consolidated Statements of Capitalization)	1,370,730	1,520,011
COMMITMENTS AND CONTINGENCIES (Note 6)		
TOTAL	$7,869,962	$3,713,494

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED STATEMENTS OF CAPITALIZATION
Avista Corporation

Thousands of Dollars

	June 30, 2000	December 31, 1999
LONG-TERM DEBT:		
First Mortgage Bonds:		
Secured Medium-Term Notes:		
Series A - 6.13% to 7.90% due 2002 through 2023	$129,500	$139,400
Series B - 6.20% to 7.89% due 2000 through 2010	109,000	124,000
Total first mortgage bonds	238,500	263,400
Pollution Control Bonds:		
Floating Rate, Colstrip 1999A, due 2032	66,700	66,700
Floating Rate, Colstrip 1999B, due 2034	17,000	17,000
6% Series due 2023	4,100	4,100
Total pollution control bonds	87,800	87,800
Unsecured Medium-Term Notes:		
Series A - 7.94% to 9.57% due 2001 through 2007	31,000	31,000
Series B - 6.75% to 8.23% due 2001 through 2023	96,000	96,000
Series C - 5.99% to 8.02% due 2007 through 2028	109,000	109,000
Total unsecured medium-term notes	236,000	236,000
Notes payable (due within one year) to be refinanced	-	118,500
Other	30,993	12,503
Total long-term debt	593,293	718,203
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; 0 and 1,508,210 shares outstanding ($182.80 stated value)	-	263,309
Total convertible preferred stock	-	263,309
COMMON EQUITY:		
Common stock, no par value; 200,000,000 shares authorized; 47,128,163 and 35,648,239 shares outstanding	609,152	318,731
Note receivable from employee stock ownership plan	(7,696)	(8,240)
Capital stock expense and other paid in capital	(12,063)	(4,347)
Other comprehensive income	294	(166)
Retained earnings	42,750	87,521
Total common equity	632,437	393,499
TOTAL CAPITALIZATION	$1,370,730	$1,520,011

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 Six Months Ended June 30
Thousands of Dollars

	2000	1999
OPERATING ACTIVITIES:		
Net income (loss)	$(10,968)	$27,897
NON-CASH ITEMS INCLUDED IN NET INCOME:		
Depreciation and amortization	37,892	38,297
Provision for deferred income taxes	(6,721)	14,928
Allowance for equity funds used during construction	(539)	(496)
Power and natural gas cost deferrals and amortizations	(3,613)	(3,340)
Gain on sale of property and subsidiary investments-net	(12,244)	(28,112)
Energy commodity assets and liabilities	11,593	3
(Increase) decrease in working capital components:		
Sale of customer accounts receivables-net	6,000	35,000
Receivables and prepaid expense	(235,477)	(230,496)
Materials & supplies, fuel stock and natural gas stored	4,402	(2,568)
Payables and other accrued liabilities	161,862	218,528
Other	35,090	7,433
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(12,723)	77,074
INVESTING ACTIVITIES:		
Construction expenditures (excluding AFUDC-equity funds)	(40,683)	(39,716)
Other capital requirements	(16,312)	(12,964)
Decrease in other noncurrent balance sheet items-net	16,585	9,801
Proceeds from property sales and sale of subsidiary investments	89,943	62,014
Assets acquired and investments in subsidiaries	(2,253)	(21,718)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	47,280	(2,583)
FINANCING ACTIVITIES:		
Increase in short-term borrowings	12,802	51,088
Proceeds from issuance of long-term debt	20,000	809
Redemption and maturity of long-term debt	(27,807)	(101,324)
Redemption of preferred stock	(3)	(372)
Sale (repurchase) of common stock	1,581	(26,489)
Cash dividends paid	(15,747)	(20,475)
Other-net	(2,454)	(3,144)
NET CASH USED IN FINANCING ACTIVITIES	(11,628)	(99,907)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,929	(25,416)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	40,041	72,836
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$62,970	$47,420
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid (received) during the period:		
Interest	$29,990	$31,976
Income taxes	(12,380)	10,329
Noncash financing and investing activities:		
Series L Preferred Stock converted to common stock	271,286	-
Property purchased under capitalized leases	-	919

The Accompanying Notes are an Integral Part of These Statements.

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
Avista Corporation

For the Three Months Ended June 30
Thousands of Dollars

	2000	1999
OPERATING REVENUES:		
Avista Utilities	$318,783	$221,091
Energy Trading and Marketing	1,043,467	1,160,326
Information and Technology	2,228	889
Avista Ventures	8,660	29,785
Intersegment eliminations	(19,724)	(355)
Total operating revenues	$1,353,414	$1,411,736
RESOURCE COSTS:		
Avista Utilities:		
Power purchased	$269,569	$86,631
Natural gas purchased for resale	16,257	20,916
Fuel for generation	10,210	9,770
Other	55,653	10,441
Energy Trading and Marketing:		
Cost of sales	955,330	1,169,807
Intersegment eliminations	(19,724)	(355)
Total resource costs (excluding non-energy businesses)	$1,287,295	$1,297,210
GROSS MARGINS:		
Avista Utilities	$(32,906)	$93,333
Energy Trading and Marketing	88,137	(9,481)
Total gross margins (excluding non-energy businesses)	$55,231	$83,852
OPERATIONS AND MAINTENANCE EXPENSES:		
Avista Utilities	$15,655	$13,049
Energy Trading and Marketing	(50)	93
Information and Technology	2,611	1,231
Avista Ventures	6,460	22,680
Total operations and maintenance expenses	$24,676	$37,053
ADMINISTRATIVE AND GENERAL EXPENSES:		
Avista Utilities	$16,077	$15,951
Energy Trading and Marketing	9,562	7,024
Information and Technology	7,346	1,388
Avista Ventures	2,055	4,573
Total administrative and general expenses	$35,040	$28,936
DEPRECIATION AND AMORTIZATION EXPENSES:		
Avista Utilities	$16,071	$15,736
Energy Trading and Marketing	481	974
Information and Technology	1,315	331
Avista Ventures	965	2,182
Total depreciation and amortization expenses	$18,832	$19,223
INCOME (LOSS) FROM OPERATIONS (PRE-TAX):		
Avista Utilities	$(92,023)	$37,018
Energy Trading and Marketing	74,221	(17,572)
Information and Technology	(8,928)	(2,074)
Avista Ventures	(1,013)	8
Total income (loss) from operations	$(27,743)	$17,380

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
Avista Corporation

For the Three Months Ended June 30
Thousands of Dollars

	2000	1999
INCOME (LOSS) AVAILABLE FOR COMMON STOCK:		
Avista Utilities	$(62,645)	$15,900
Energy Trading and Marketing	47,300	(10,676)
Information and Technology	(6,248)	(1,324)
Avista Ventures	(508)	(775)
Total income (loss) available for common stock (Note 5)	$(22,101)	$3,125
ASSETS: (1999 amounts at December 31)		
Avista Utilities	$1,975,941	$1,976,716
Energy Trading and Marketing	5,717,530	1,595,470
Information and Technology	53,042	26,379
Avista Ventures	123,449	114,929
Total assets	$7,869,962	$3,713,494
CAPITAL EXPENDITURES (excluding AFUDC/AFUCE):		
Avista Utilities	$23,068	$23,199
Energy Trading and Marketing	101	1,953
Information and Technology	9,195	2,967
Avista Ventures	221	1,100
Total capital expenditures	$32,585	$29,219

The Accompanying Notes are an Integral Part of These Statements.

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
Avista Corporation

For the Six Months Ended June 30
Thousands of Dollars

	2000	1999
OPERATING REVENUES:		
Avista Utilities	$ 617,326	$487,877
Energy Trading and Marketing	2,149,655	2,079,390
Information and Technology	4,517	1,584
Avista Ventures	15,774	80,063
Intersegment eliminations	(51,885)	(983)
Total operating revenues	$2,735,387	$2,647,931
RESOURCE COSTS:		
Avista Utilities:		
Power purchased	$388,702	$196,719
Natural gas purchased for resale	58,805	56,107
Fuel for generation	23,778	17,771
Other	68,536	20,912
Energy Trading and Marketing:		
Cost of sales	2,058,020	2,094,737
Intersegment eliminations	(51,885)	(983)
Total resource costs (excluding non-energy businesses)	$2,545,956	$2,385,263
GROSS MARGINS:		
Avista Utilities	$77,505	$196,368
Energy Trading and Marketing	91,635	(15,347)
Total gross margins (excluding non-energy businesses)	$169,140	$181,021
OPERATIONS AND MAINTENANCE EXPENSES:		
Avista Utilities	$31,922	$26,085
Energy Trading and Marketing	518	102
Information and Technology	7,243	2,574
Avista Ventures	12,418	61,245
Total operations and maintenance expenses	$52,101	$90,006
ADMINISTRATIVE AND GENERAL EXPENSES:		
Avista Utilities	$30,415	$30,441
Energy Trading and Marketing	13,344	13,100
Information and Technology	12,225	2,294
Avista Ventures	3,763	13,613
Total administrative and general expenses	$59,747	$59,448
DEPRECIATION AND AMORTIZATION EXPENSES:		
Avista Utilities	$32,756	$31,189
Energy Trading and Marketing	1,133	1,533
Information and Technology	2,139	539
Avista Ventures	1,954	5,036
Total depreciation and amortization expenses	$37,982	$38,297
INCOME (LOSS) FROM OPERATIONS (PRE-TAX):		
Avista Utilities	$(44,417)	$82,918
Energy Trading and Marketing	67,674	(30,083)
Information and Technology	(17,190)	(3,845)
Avista Ventures	(4,737)	(1,103)
Total income (loss) from operations	$1,330	$47,887

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
Avista Corporation

For the Six Months Ended June 30
Thousands of Dollars

	2000	1999
INCOME (LOSS) AVAILABLE FOR COMMON STOCK:		
Avista Utilities	$(64,699)	$29,966
Energy Trading and Marketing	43,762	(18,012)
Information and Technology	(11,912)	(2,579)
Avista Ventures	(637)	7,755
Total income (loss) available for common stock (Note 5)	$(33,486)	$17,130
ASSETS: (1999 amounts at December 31)		
Avista Utilities	$1,975,941	$1,976,716
Energy Trading and Marketing	5,717,530	1,595,470
Information and Technology	53,042	26,379
Avista Ventures	123,449	114,929
Total assets	$7,869,962	$3,713,494
CAPITAL EXPENDITURES (excluding AFUDC/AFUCE):		
Avista Utilities	$41,646	$39,117
Energy Trading and Marketing	114	5,612
Information and Technology	14,022	5,123
Avista Ventures	695	2,193
Total capital expenditures	$56,477	$52,045

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements of Avista Corporation (Avista Corp. or the Company) for the interim periods ended June 30, 2000 and 1999 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, 1999 (1999 Form 10-K).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NEW ACCOUNTING STANDARDS

On June 15, 2000, the Financial Accounting Standards Board issued FAS No. 138, which is an amendment of FAS No. 133, entitled "Accounting for Derivative Instruments and Hedging Activities." The new Statement addresses a limited number of issues causing implementation difficulties for a large number of entities preparing to apply FAS 133. The issue that potentially most affects the Company is that the "normal purchases and normal sales" exception is expanded. The Company is in the process of determining the impact of this new statement.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," to provide guidance on the recognition, presentation and disclosure of revenues in financial statements. The Company is in the process of determining the impact of this bulletin, particularly as it applies to the subsidiary companies as they continue to grow their businesses.

NOTE 2. RESTRUCTURING CHARGES

In November 1999, Avista Energy, Inc. (Avista Energy) began to redirect its focus away from national energy trading toward a more regionally-based energy marketing and trading effort in the West. The downsizing plan called for the shutting down of all of the operations in Houston and Boston and eliminating approximately 80 positions. The Houston operations were closed during the first quarter of 2000, and the Boston operations were closed during the second quarter of 2000. In the fourth quarter of 1999, Avista Energy recorded a charge of $5.9 million, after taxes, for expenses related to employee terminations, such as contract terminations and retention payments. During the first quarter of 2000, the entire $5.9 million reserve was paid out for employee termination expenses, leaving no accrued balance at March 31, 2000. Avista Energy sold its Eastern power book during the first quarter of 2000 for a $1.0 million after-tax loss, but did not find a buyer for its natural gas or coal contracts in the East. The remaining Eastern natural gas contracts, primarily for transportation and storage, are being managed out of the Spokane office. The only remaining activity related to coal contracts is scheduling, which will continue through the end of 2000 when the contracts expire. In addition to the restructuring charges previously reserved and paid, other transition costs in the amount of $3.1 million and $1.8 million after taxes for the first and second quarters of 2000, respectively, were incurred related to closing the Houston and Boston offices and discontinuing operations in the East. Minimal transition costs are expected for the remainder of 2000.

In the 1999 Form 10-K, it was announced that Pentzer Corporation (Pentzer) would also be redirecting its focus. In the first quarter of 2000, Pentzer recorded a charge of $1.2 million, after taxes, for expenses related to employee terminations. All of the accrual for termination benefits was paid out as of June 30, 2000.

NOTE 3. ENERGY COMMODITY TRADING

AVISTA UTILITIES

During the second quarter of 2000, Avista Utilities held options and forward contracts for trading purposes. The fair value of these assets and liabilities outstanding at June 30, 2000 was $1.4 million and $28.9 million, respectively. The average fair value of these assets and liabilities held during the three months ended June 30, 2000 was $0.9 million and $15.5 million, respectively. The net loss from the change in the fair value position of Avista Utilities' options and forward contracts from March 31, 2000 to June 30, 2000 was $26.8 million and is included in the Consolidated Statements of Income in resource costs. In addition to the actual losses recorded from these options and forward contracts, the Company accrued a $16.0 million charge related to the estimated impact of the higher energy prices on earnings for the remainder of the year due to the options held for trading purposes. This charge relates to expected losses solely from certain fixed price wholesale contracts. At March 31, 2000, options held by Avista Utilities for trading purposes were immaterial.

AVISTA ENERGY

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 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 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 June 30, 2000 are set forth below (volumes in thousands of mmBTUs and MWhs):

	Fixed Price Payor	Fixed Price Receiver	Maximum Terms in Years
Energy commodities (volumes)			
Natural gas	160,808	145,106	3
Electric	181,572	168,767	20
Coal (tons)	2,455	2,455	1

	Index Price Payor	Index Price Receiver	Maximum Terms in Years
Energy commodities (volumes)			
Natural gas	657,109	630,299	5
Electric	960	494	5

Contract or notional amounts reflect the volume of transactions, but do not necessarily represent the dollar 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 June 30, 2000, and the average fair value of those instruments held during the six months ended June 30, 2000 are set forth below (dollars in thousands):

	Fair Value as of June 30, 2000				Average Fair Value for the six months ended June 30, 2000			
	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
Natural gas	$ 182,836	$ 48,009	$ 179,619	$ 43,390	$ 129,129	$ 38,753	$ 128,400	$ 33,592
Electric	3,896,326	881,634	3,912,173	800,022	2,198,144	671,568	2,209,846	608,736
Coal	2,790	--	2,034	--	6,659	401	5,700	64
Total	$4,081,952	$ 929,643	$4,093,826	$ 843,412	$2,333,932	$ 710,722	$2,343,946	$ 642,392

The weighted average term of Avista Energy's natural gas and related derivative commodity instruments as of June 30, 2000 was approximately three months. The weighted average term of Avista Energy's electric derivative commodity instruments at June 30, 2000 was approximately four months. The weighted average term of Avista Energy's coal derivative commodity instruments at June 30, 2000 was approximately five 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, 1999 to June 30, 2000 was $26.1 million and is included in the Consolidated Statements of Income in operating revenues.

NOTE 4. FINANCINGS

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 5. EARNINGS PER SHARE

Average common shares outstanding for basic earnings per share were 47,112,779 and 40,185,205 for the quarters ended June 30, 2000 and 1999, respectively, and 44,204,871 and 40,318,725 for the six months ended June 30, 2000 and 1999, respectively. On February 16, 2000, all outstanding shares of Series L Preferred Stock were converted into 11,410,047 shares of common stock, which averaged 3,811,958 shares of common stock for the calculation of diluted earnings per share for the six months ended June 30, 2000. The costs of converting the Series L Preferred Stock into common stock totaled $21.3 million during the first quarter of 2000, with $18.1 million representing the optional conversion premium and $3.2 million attributable to the regular dividend on the stock. However, these costs were not included in the calculation of diluted earnings per share because their effect was antidilutive.

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

	2nd Quarter		Six Months Ended June 30	
	2000	1999	2000	1999
Net income	$(21,493)	$ 8,509	$(10,968)	$ 27,897
Less: Preferred stock dividends	608	5,384	22,518	10,767
Income available for common stock-basic	(22,101)	3,125	(33,486)	17,130
Convertible Preferred Stock, Series L, dividend requirements	--	--	--	--
Income available for common stock-diluted	$(22,101)	$ 3,125	$(33,486)	$ 17,130
Weighted-average number of common shares outstanding-basic	47,113	40,185	44,205	40,319
Conversion of Convertible Preferred Stock, Series L	--	--	--	--
Restricted stock*	--	115	--	108
Stock options*	--	--	--	--
Weighted-average number of common shares outstanding-diluted	47,113	40,300	44,205	40,427
Earnings per common share				
Basic	$ (0.47)	$ 0.08	$ (0.76)	$ 0.42
Diluted	$ (0.47)	$ 0.08	$ (0.76)	$ 0.42

* Due to the losses in the second quarter of 2000 and for the six months ended June 30, 2000, the common stock equivalents from outstanding restricted stock and stock options are not included in the calculations for weighted-average number of common shares outstanding for diluted earnings per share because their effect is antidilutive.

NOTE 6. COMMITMENTS AND CONTINGENCIES

SECURITIES LITIGATION

On July 27, 2000, John Bain filed a lawsuit in the U.S. District Court for the Eastern District of Washington against the Company and Thomas M. Matthews, the Chairman of the Board, President and Chief Executive Officer of the Company, and Jon E. Eliassen, a Senior Vice President and the Chief Financial Officer of the Company. On August 2, 2000, Wei Cao and William Dalton filed separate lawsuits in the same Court against the Company and Mr. Matthews. On August 7, 2000, Martin Capetz filed a lawsuit in the same Court against the Company, Mr. Matthews and Mr. Eliassen. Each complaint is brought on behalf of a purported class of persons who purchased Company common stock during periods commending as early as April 7, 2000 and ending June 21, 2000. The plaintiffs assert violations of Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder, arising out of various alleged misstatements and omissions in the Company's Annual Report on Form 10-K for the year 1999 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and in specified press releases issued by the Company, and, further, claim that plaintiffs and the respective purported classes suffered damages as a result thereof. Such alleged misstatements and omissions are claimed to relate to the Company's trading activities in wholesale energy markets, the Company's risk management policies and procedures with respect thereto and the Company's trading losses in the second quarter of 2000. The plaintiffs request, among other things, compensatory damages in unspecified amounts and other relief as the Court may deem proper. The Company denies liability and intends to defend these lawsuits vigorously.

OTHER MATTERS

The Company believes, based on the information presently known, that the ultimate liability for the following 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.

FUTURE POWER LOSSES

In June 2000, the Company recorded a $16.0 million charge related to the estimated impact of the higher energy prices on earnings for the remainder of the year. This charge relates to expected losses solely from certain fixed price wholesale contracts.

The potential also exists for additional losses related to sales to the Company's retail customers that occur after June 30, 2000, but these losses were not accrued because they cannot be reasonably estimated. Several factors could affect the amount, such as changes in retail consumption, primarily due to weather, and changes in system generation, due to factors such as streamflows, availability of plants and unexpected plant outages. On August 9, 2000, the WUTC approved the Company's request for deferred accounting treatment for certain power costs related to the recent increase in short-term wholesale market prices. Deferred accounting treatment is effective for power costs beginning July 1, 2000 and ending June 30, 2001. The specific costs to be deferred will include the changes in power costs to the Company related to three power cost variables: short-term wholesale market prices, hydroelectric generation, and thermal generation. The deferrals each month will be calculated as the difference between the actual costs to the Company associated with these three power cost variables, and the level of costs included in the Company's base retail rates. The power costs to be deferred are related solely to the operation of the Company's system resources to serve its load obligations. Deferrals will not include losses associated with wholesale commercial trading activity. Regulatory approval of the recovery of the deferred costs will be addressed in a future ratemaking proceeding, in which the Company will support the reasonableness and prudence of the costs, and that the Company's resources were optimized to the benefit of its retail customers.

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 DOE issued a Draft Agreed Order to the Company on January 17, 2000, and solicited public comment. The Agreed Order was signed by the DOE, the Company and Burlington Northern Railroad (another PLP) on March 13, 2000. The work to be performed under the Agreed Order includes three major technical parts: completion of the RI; performance of a focused Feasibility Study (FS); and implementation of an interim groundwater monitoring plan. During the second quarter, the Company received comments from the DOE on its initial RI, then submitted another draft of the RI to the DOE, which the Company expects to be final. The Company also received comments from the DOE pertaining to the FS, which outlines cleanup alternatives, and is in the process of clarifying some of the DOE comments and preparing responses. Another FS, which will respond to DOE comments, will be submitted to the DOE during the late summer or early fall.

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.

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. Plaintiff has appealed this adverse determination to the Ninth Circuit Court of Appeals.

SALE OF CREATIVE SOLUTIONS GROUP

On April 7, 2000, Creative Solutions Group, Inc. and Form House Holdings, Inc. filed a complaint against Pentzer Corporation in the United States District Court for the District of Massachusetts, alleging misrepresentations and breach of representations and warranties made under a stock purchase agreement. Pursuant to this agreement, Pentzer sold the capital stock of a group of companies on March 31, 1999. Plaintiffs allege that Pentzer breached various representations and warranties concerning financial statements, cost of goods sold and inventory, contending that reliance on such representations and warranties caused them to pay more for the group of companies than they were worth. In total, plaintiffs allege damages in the approximate amount of $27 million. Pentzer has retained legal counsel and intends to vigorously defend against this action.

NOTE 7. DISPOSITIONS

On May 5, 2000, the owners of the Centralia Power Plant sold the plant to TransAlta, a Canadian company. The Company recorded an $8.1 million after-tax gain in the second quarter of 2000 from the sale of its 17.5% ownership interest in the plant. The balance of the total after-tax gain of $33.9 million from the sale of Centralia was deferred, and will be returned to Avista Utilities' customers through rates. Idaho customers will get $6.8 million, which translates into a rate reduction of 1.3% over an eight-year period. Washington customers will receive the remaining $19.0 million, with the method and timing to be determined as part of the pending general rate case before the WUTC. Avista Utilities will require additional generating capacity, and TransAlta has agreed to replace Avista Utilities' lost output for three years through a purchase agreement effective July 1, 2000. The Company is assessing its options for a longer-term replacement of the power.

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

Avista Corporation (Avista Corp. or the Company) operates as an energy, information and technology company with a regional utility operation and subsidiary operations located throughout North America. The utility portion of the Company, doing business as Avista Utilities, is subject to state and federal price regulation. The national businesses are conducted under Avista Capital, which is the parent company to the Company's subsidiaries.

Avista Utilities provides electric transmission and electric and natural gas distribution services to retail customers. It is also responsible for the generation and production of electric energy. Through the second quarter of 2000, Avista Utilities has also been engaged in electric wholesale marketing and electric commodity trading, primarily for the purpose of optimizing system resources. Wholesale marketing includes sales and purchases under long-term contracts with one-year and longer terms. Electric commodity trading includes short-term sales and purchases, such as next hour, next day and monthly blocks of energy. Wholesale marketing and trading activities have been primarily with other utilities and power brokers in the Western Systems Coordinating Council (WSCC). As explained more fully under "Results of Operations - Overall Operations," by June 30, 2000, Avista Utilities had ceased all marketing and trading activities except to the extent necessary to optimize system resources and to the extent related to existing contracts and positions.

The Energy Trading and Marketing line of business is comprised of Avista Energy, Inc. (Avista Energy), Avista Power, Inc. (Avista Power) and Avista-STEAG, LLC (Avista-STEAG). Avista Energy is an electricity and natural gas marketing and trading business, also operating primarily in the WSCC. Avista Power was formed to develop and own generation assets. Avista-STEAG is a joint venture between Avista Capital and STEAG AG, a German independent power producer, to develop electric generating assets.

The Information and Technology line of business is comprised of Avista Advantage, Inc. (Avista Advantage), Avista Laboratories, Inc. (Avista Labs) and Avista Communications, Inc. (Avista Communications). Avista Advantage is a business-to-business e-commerce portal that provides a variety of energy-related products and services to commercial and industrial customers on a national basis. Its primary product lines include consolidated billing, resource accounting, energy analysis, load profiling and maintenance and repair billing services. Avista Labs is in the process of developing Proton Exchange Membrane (PEM) fuel cells for power generation at the site of the consumer. Avista Communications is a Competitive Local Exchange Carrier (CLEC) providing local dial tone, data transport, internet services, voice messaging and other telecommunications services to under-served communities in the Western United States. In April 2000, Avista Communications and Avista Fiber, Inc. merged operations, with Avista Communications now additionally responsible for designing, building and managing metropolitan area fiber optic networks.

The Avista Ventures line of business includes Avista Ventures, Inc. (Avista Ventures), Pentzer Corporation (Pentzer), Avista Development, Inc. (Avista Development) and Avista Services, Inc. (Avista Services). Avista Ventures was formed late in the first quarter of 2000 to align Avista Corp.'s investment and acquisition activities in the strategic growth areas of energy, information and technology. Avista Ventures will be responsible for developing a pipeline of future opportunities for growth and innovation. Avista Ventures is the parent company to Pentzer and Avista Development. Pentzer was the parent company to the majority of the Company's other subsidiary businesses until 1999, when it sold two groups of its portfolio companies. Pentzer's business strategy was such that its income resulted from both transactional and non-transactional earnings. Transactional gains have arisen from one-time events or specific transactions, such as the sale of an investment or companies from Pentzer's portfolio of investments. Non-transactional earnings arise out of the ongoing operations of the individual portfolio companies. Avista Development holds other community investments, including real estate, tax credit housing and other assets. Avista Services is the marketing arm of Avista Utilities that offers products and services to existing utility customers, including energy consulting, mail order merchandising and sales of items such as surge protectors and generators.

Regulatory, economic and technological changes have brought about the accelerating transformation of the utility and energy industries, creating new opportunities to expand the Company's businesses and serve new markets. In pursuing such opportunities, the Company's strategy is to focus on continuing its growth as a leading provider of information and technology services.

These changes have also had a significant effect on energy markets. Historically, the price of power in wholesale markets has been affected primarily by production costs and by other factors including streamflows, the availability of hydro and thermal generation and transmission capacity, weather and the resulting retail loads, and the price of coal, natural gas and oil to thermal generating units. Any combination of these factors that resulted in a shortage of energy generally caused the market price of power to move upward. Now, however, market prices appear to be affected by other factors as well. These factors include the gradual elimination of excess generating capacity in the Pacific Northwest and the WSCC, which results in higher prices for short-term energy, as well as increasing instances of transmission congestion in the region in periods of high demand. Other factors may result from the restructuring of the electric utility business at the state and federal levels and the deregulation of wholesale energy markets. These factors may include, for example, the increased ownership of generating facilities by entities which are not traditional "public utilities" as a result of utility divestitures, as well as the rapid growth of the wholesale market for capacity and energy on a short-term basis and increased trading in derivative commodity instruments in respect thereof.

Based on historical trends, Avista Utilities' business plan had forecast on-peak power prices averaging $19 to $22 per megawatthour for May and June. On-peak power costs in the market averaged $60 per megawatthour in May and over $180 per megawatthour in June, with hourly spikes as high as $1,300 per megawatthour. Prices remain at unprecedented levels in the Pacific Northwest, without any apparent relationship to actual costs of generation. Federal and state officials have announced that they will initiate reviews to determine the cause of the market changes. See "Risk Management" for additional information.

The Company's growth strategy exposes it to risks, including risks associated with rapid expansion, challenges in recruiting and retaining qualified personnel, risks associated with acquisitions and joint ventures and increasing competition. In addition, the energy trading and marketing business exposes the Company to the financial, liquidity and credit risks associated with commodity trading activities.

RESULTS OF OPERATIONS

OVERALL OPERATIONS

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

The second quarter 2000 net loss attributable to common stock was $22.1 million, compared to earnings of $3.1 million in the second quarter of 1999. Avista Utilities lost $62.6 million during the second quarter of 2000, primarily due to changing energy markets that have resulted in significantly higher energy prices, which were compounded by a short position related to wholesale sales in excess of amounts necessary to optimize system resources. (See paragraphs below for additional information about the higher energy prices and short position.) In addition, the Information and Technology line of business recorded a loss of $6.2 million in 2000 compared to a loss of $1.3 million in the second quarter of 1999 as these businesses continued to grow their operations. The Avista Ventures line of business recorded a second quarter loss of $0.5 million in 2000 compared to a loss of $0.8 million in 1999. These decreased earnings were partially offset by the Energy Trading and Marketing operations, which recorded net income of $47.3 million in the second quarter of 2000, compared to a loss of $10.7 million in 1999.

The basic and diluted loss per share for the second quarter of 2000 were $0.47, compared to a contribution of $0.08 in 1999. Avista Utilities recorded a loss of $1.33 per basic share for the second quarter of 2000 compared to a contribution of $0.40 in the second quarter of 1999. Information and Technology operations had a loss of $0.13 per basic share in the second quarter of 2000 compared to a loss of $0.03 in 1999. Results from the Avista Ventures line of business improved slightly in the second quarter of 2000, with a loss of $0.01 per basic share, compared to a loss of $0.02 in the same period in 1999. Energy Trading and Marketing operations contributed $1.00 per basic share in the second quarter of 2000, compared to a loss of $0.27 in the same period in 1999.

Avista Utilities' pre-tax loss from operations was $92.0 million in the second quarter of 2000, or a decrease of $129.0 million from the same period in 1999. The second quarter results for 2000 include an $8.1 million gain recorded by the Company as a result of the sale of its interest in the Centralia Power Plant. The balance of the total after-tax gain of $33.9 million from the sale of Centralia will be returned to Avista Utilities' customers through rates. (See Item 5 - "Other Information" for more information regarding the sale of Avista Utilities' interest in Centralia.) The loss primarily resulted from significantly higher electric energy prices, compounded by a short position related to wholesale sales in excess of amounts necessary to optimize system resources. Additionally, during the second quarter, the Company recorded a $16.0 million charge related to the estimated impact of the higher energy prices on earnings for the remainder of the year. This charge relates to expected losses solely from certain fixed price contracts.

Unprecedented sustained peaks in electric energy prices throughout the WSCC in May and June, compounded by a wholesale short position discussed below, contributed to the significant losses recorded by Avista Utilities in the second quarter. Avista Utilities expects to spend approximately 25% more than expected for purchased power this year because of sustained price peaks. The increased prices caused a reduction in gross margin of approximately $126 million in the second quarter of 2000 from 1999.

Consistent with previous years, during the second quarter Avista Utilities purchased energy in order to meet system obligations to serve retail and long-term wholesale customers. These purchases provided power in addition to power available from the Company's own generating resources. Due to the spikes in power costs described above, the price of these purchases was significantly higher than the amounts recoverable from customers.

Based on the Company's views of streamflows, historic market prices and energy availability in the second quarter of 2000, the Company entered into contracts and sold call options for fixed-price power for delivery through the remainder of the year, without making matching purchases at the same time, and also made certain short-term sales at fixed prices which were offset by purchases at prices indexed to the market price at the time of delivery. Certain of these positions were outside normal operating guidelines. Avista Utilities was therefore required to buy additional power not only to meet its obligations to its retail and long-term wholesale customers, as described above, but also to cover its wholesale short positions. The process was impeded by the rapid escalation of market prices and lack of liquidity in the power markets. These purchases were made at fixed prices significantly higher than the related selling prices and at index, which settled at unprecedented levels in June. The pricing of these purchases caused substantially all of Avista Utilities' loss for the second quarter.

Avista Utilities' short position was compounded by the May 5 sale of its interest in the Centralia plant, which reduced its system capacity by 175 megawatts. As part of the Centralia sale, Avista Utilities entered into a favorably priced three-year contract to purchase 175 megawatts from the Centralia plant beginning in July 2000. Based on historical trends and the Company's views on power prices and availability of power for May and June at the time of the sale, Avista Utilities did not seek to replace the Centralia capacity for the months of May and June with firm commitments. See Item 5 - "Other Information" for more information regarding the sale of Avista Utilities' interest in Centralia.

On August 9, 2000, the WUTC approved the Company's request for deferred accounting treatment for certain power costs related to the recent increase in short-term wholesale market prices. Deferred accounting treatment is effective for power costs beginning July 1, 2000 and ending June 30, 2001. The specific costs to be deferred will include the changes in power costs to the Company related to three power cost variables: short-term wholesale market prices, hydroelectric generation, and thermal generation. The deferrals each month will be calculated as the difference between the actual costs to the Company associated with these three power cost variables, and the level of costs included in the Company's base retail rates. The power costs to be deferred are related solely to the operation of the Company's system resources to serve its load obligations. Deferrals will not include losses associated with wholesale commercial trading activity. Regulatory approval of the recovery of the deferred costs will be addressed in a future ratemaking proceeding, in which the Company will support the reasonableness and prudence of the costs, and that the Company's resources were optimized to the benefit of its retail customers.

In addition, the Company's general rate case, which is pending before the WUTC, includes a request to allow Avista Utilities to implement an energy cost adjustment mechanism. This mechanism would allow increases and decreases in energy costs to be passed through to customers as incurred, without a general rate case, similarly to the power cost adjustment mechanism in Idaho. See Item 5 - - "Other Information" for information regarding various proceedings before the WUTC.

The Company is taking extensive measures to address the power cost issues, minimize risk and mitigate its financial hardship. Avista Utilities has eliminated its short-term wholesale commodity sales and trading activities that are not related to optimizing resources to meet customer loads and other existing commitments. Avista Utilities is also assessing alternatives to meet future years' energy needs based on a mix of existing resources, new power projects and contracts which lock in supply and price. In addition, the Company is implementing cost reduction efforts, such as company-wide expense reductions and cutbacks in utility capital expenditures, and looking for financial mitigation through such items as the deferred accounting treatment approved by the WUTC and the proposed power cost adjustment mechanism currently before the WUTC.

The Company has hired Williams Energy Marketing & Trading Company to advise Avista Utilities on risk management, risk analysis and resource optimization issues for all system requirements. The advisory services agreement is effective August 1, 2000.

The Company's cash flows have been affected because of the higher purchased power costs as well as cash collateral required for counterparties and trading at both Avista Energy and Avista Corp. The Company anticipates, based on information currently available, that it will be able to satisfy all cash requirements through the remainder of 2000. These projections are subject to a variety of risks and uncertainties that could cause actual results to differ from this estimate, including those described above and listed under "Safe Harbor for Forward Looking Statements." See "Liquidity and Capital Resources" for additional information.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

The net loss attributable to common stock for the first six months of 2000 was $33.5 million compared to earnings of $17.1 million for the first half of 1999. The loss was due in part to the conversion of the outstanding Series L Preferred Stock back into common stock in February 2000, which resulted in a one-time charge of $21.3 million to preferred stock dividend requirements. Excluding the effect of this transaction, the Company's loss would have been $12.2 million. Avista Utilities' operations lost $42.2 million in the first six months of 2000 compared to net income of $40.7 million in 1999 (results for both periods are before preferred dividend requirements). The loss was primarily the result of the significantly higher purchased power costs for Avista Utilities that were compounded by a short position related to excess wholesale sales during the second quarter of 2000 that were described above. The year-to-date results include both the $16.0 million accrual for expected future losses and the $8.1 million gain from the sale of Centralia as described above. In addition, losses from the Information and Technology line of business were $11.9 million in 2000 compared to a loss of $2.6 million in 1999 as these businesses continued to grow their operations. The loss attributable to common stock from the Avista Ventures line of business was $0.6 million in the second quarter of 2000, compared to earnings of $7.8 million in 1999. The 1999 earnings included a transactional gain totaling $10.1 million, net of taxes, recorded by Pentzer as a result of the sale of its Creative Solutions Group of portfolio companies. The losses from these three lines of business were partially offset by earnings from the Energy Trading and Marketing line of business of $43.8 million in the first half of 2000 compared to a loss of $18.0 million in the first six months of 1999.

The basic and diluted loss per share for the first half of 2000 was $0.76, compared to a contribution of $0.42 in 1999. Excluding any effects related to the Series L Preferred Stock, earnings (loss) per share would have been $(0.25) and $0.48 for the six months ended June 30, 2000 and 1999, respectively. Avista Utilities recorded a loss of $1.46 per basic share for the first half of 2000 compared to a contribution of $0.74 in the first six months of 1999, which includes preferred stock dividend requirements in both periods. Information and Technology operations had a loss of $0.27 per basic share in the first half of 2000 compared to a loss of $0.06 in 1999. Avista Ventures' operations had a loss of $0.02 per basic share for the first half of 2000 compared to a contribution of $0.19 in the same period in 1999. Energy Trading and Marketing operations contributed $0.99 per share in the first six months of 2000 compared to a loss of $0.45 in the same period in 1999.

Based on projected retail loads, the Company expects additional power costs of at least $30 to $40 million related to sales to the Company's retail customers in the second half of 2000, in addition to the $16 million already accrued for the impact of higher energy prices on wholesale sales. Several factors could affect the amount, such as changes in retail consumption, primarily due to weather, and changes in system generation, due to factors such as streamflows, availability of plants and unexpected plant outages. A portion of these expected losses will be mitigated as a result of the deferred accounting treatment approved by the WUTC. Based on current projections, Avista Corp. expects to post a loss for the full year. These projections are subject to a variety of risks and uncertainties that could cause actual results to differ from this estimate, including those described above and listed under "Safe Harbor for Forward Looking Statements."

AVISTA UTILITIES

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

Avista Utilities' pre-tax loss from operations was $92.0 million in the second quarter of 2000, or a decrease of $129.0 million from the same period in 1999. The loss was primarily the result of the increase in purchased power costs, as described above. The second quarter utility results also include both the $16.0 million accrual for expected future losses and the $8.1 million after-tax gain from the sale of Centralia mentioned above. Avista Utilities' operating revenues and expenses increased $97.7 million and $226.7 million, respectively, in the second quarter of 2000 as compared to 1999.

Retail electric revenues increased $5.0 million in the second quarter of 2000 over 1999 due to increased prices and greater sales volumes due to customer growth. Wholesale electric revenues increased $99.0 million, or 108%, while sales volumes increased only 15% during the second quarter of 2000 over 1999, reflecting average sales prices 80% higher in 2000. Natural gas revenues decreased $7.3 million in the second quarter of 2000 from 1999 due to decreased customer usage as a result of warmer than normal temperatures in the service area.

Streamflows in the second quarter of 2000 were 95% of normal compared to 106% in the second quarter of 1999. Purchased power prices for the second quarter of 2000 averaged 164% higher than last year, and purchased power volumes were 18% greater, resulting in a $182.9 million, or 211%, increase in purchased power expense in the second quarter of 2000 over 1999. Purchased natural gas costs decreased $4.7 million in the second quarter of 2000, primarily as a result of lower therm sales due to decreased customer usage as a result of warmer than normal temperatures in the service area. Other resource costs increased $45.2 million over 1999 primarily due to a $42.8 million increase in expense due to mark-to-market accounting for options, which includes the $16 million accrual for potential future losses, and a $2.0 million increase in Power Cost Adjustment (PCA) expenses.

Operations and maintenance expenses increased $2.6 million, or 20%, due to a variety of items, including increased distribution expenses, higher fees associated with the increased amount of customer accounts receivables sold, increased accruals for uncollectible accounts and other expenses related to customer accounting services.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

Avista Utilities' pre-tax loss from operations was $44.7 million in the first six months of 2000, or a decrease of $127.3 million from the same period in 1999. The loss was primarily the result of the increase in purchased power costs, as described above. The year-to-date utility results also include both the $16.0 million accrual for expected future losses and the $8.1 million gain from the sale of Centralia mentioned above. Avista Utilities' operating revenues and expenses increased $129.4 million and $256.8 million, respectively, in the first half of 2000 as compared to 1999.

Retail electric revenues increased $8.9 million in the first six months of 2000 over 1999 due to increased prices and greater sales volumes due to customer growth. Wholesale electric revenues increased $117.5 million, or 64%, while sales volumes increased only 8% during the first half of 2000 over 1999, reflecting average sales prices 52% higher in 2000. Natural gas revenues increased $0.6 million in the first six months of 2000 over 1999 due to increased prices approved by state commissions and increased therm sales due to customer growth. Retail natural gas revenues increased $9.3 million, but were nearly offset by a $8.8 million decrease in non-retail sales.

Streamflows in the first six months of 2000 were 95% of normal compared to 107% in 1999. Purchased power prices for the first six months of 2000 averaged 86% higher than last year, and purchased power volumes were 6% greater, resulting in a $192.0 million, or 98%, increase in purchased power expense in the first half of 2000 over 1999. Purchased natural gas costs increased $2.7 million in the first half of 2000, primarily from increased prices for natural gas. Fuel for generation increased $6.0 million due to increased generation at the thermal plants. Other resource costs increased $47.6 million over 1999 primarily due to a $43.7 million increase in expense due to mark-to-market accounting for options, which includes the $16 million accrual for potential future losses, and a $2.0 million increase in PCA expenses.

Operations and maintenance expenses increased $5.8 million, or 22%, due to a variety of items, including increased distribution expenses, higher fees associated with the increased amount of customer accounts receivables sold, increased accruals for uncollectible accounts and other expenses related to customer accounting services.

ENERGY TRADING AND MARKETING

Energy Trading and Marketing includes the results of Avista Energy, Avista Power and Avista-STEAG. 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 beginning on page 26.

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

Energy Trading and Marketing's income available for common stock for the second quarter of 2000 was $47.3 million, compared to the second quarter 1999 loss of $10.7 million. Avista Energy's operations were positively affected during the second quarter by warmer than normal weather and a well-positioned portfolio in a volatile electric market, but were partially offset by operating costs associated with closing its Eastern operations in Boston.

Energy Trading and Marketing's revenues and operating expenses decreased $116.9 million and $208.7 million, respectively, in the second quarter of 2000 from 1999. The decrease in revenues is primarily the result of decreased volumes of transactions due to Avista Energy's closing its Eastern operations and re-focusing its business to the West, partially offset by the impact of increased prices. The decrease in expenses is primarily the result of Avista Energy's closing its Eastern operations and re-focusing its business to the West.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

Energy Trading and Marketing's income available for common stock for the first six months of 2000 was $43.8 million, compared to a loss of $18.0 million in the first half of 1999. Avista Energy's operations in the first half of 2000 were positively affected by warmer than normal weather and a well-positioned portfolio in a volatile electric market. Avista Energy's operations were negatively impacted by losses from the liquidation of its Eastern electric book and associated operating costs to close its Eastern operations in Houston and Boston. The Houston and Boston offices were closed during the first and second quarters of 2000, and the Eastern electric book was sold at a $1.0 million after-tax loss.

Energy Trading and Marketing's revenues increased $70.3 million and operating expenses decreased $27.5 million in the first half of 2000 compared to 1999. The year-to-date increase in revenues is primarily the result of increased prices, partially offset by lower sales volumes, during the second quarter. The year-to-date decrease in expenses is primarily the result of Avista Energy's closing its Eastern operations and re-focusing its business to the West.

Energy Trading and Marketing's balance sheet increased $4.1 billion from December 1999 to June 2000. Avista Energy's energy commodity assets and liabilities increased primarily as a result of significant price increases for both natural gas and power during this period. Trade receivables and payables increased due to higher market prices on current positions, as volumes declined from December 1999 to June 2000.

INFORMATION AND TECHNOLOGY

The Information and Technology line of business includes the results of Avista Advantage, Avista Labs and Avista Communications. Avista Corp. has committed to invest in the development of these information and technology start-up businesses as part of its overall strategic focus on generating shareholder value.

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

Information and Technology's loss attributable to common stock for the second quarter of 2000 was $6.2 million, compared to a loss of $1.3 million in 1999. Operating revenues and expenses for this line of business increased $1.3 million and $8.2 million, respectively, during the second quarter of 2000 over 1999, primarily due to growth in each of the individual businesses.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

Information and Technology's loss attributable to common stock for the first six months of 2000 was $11.9 million, compared to a loss of $2.6 million in 1999. Operating revenues and expenses for this line of business increased $2.9 million and $16.3 million, respectively, during the first half of 2000 over 1999, primarily due to growth in each of the individual businesses.

AVISTA VENTURES

The Avista Ventures line of business includes the results of Avista Ventures, Pentzer, Avista Development and Avista Services.

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

The loss attributable to common stock from this line of business was $0.5 million in the second quarter of 2000, compared to a loss of $0.8 million in 1999. The 1999 results included a loss on the sale of equipment as one of Pentzer's portfolio companies consolidated its locations.

Operating revenues and expenses from this line of business decreased $21.1 million and $20.1 million, respectively, during the second quarter of 2000 as compared to 1999. The Store Fixtures Group of portfolio companies was sold by Pentzer during the third quarter of 1999. Revenues and expenses from these companies were still included in the second quarter 1999 amounts, but not in the second quarter of 2000.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

The loss attributable to common stock from this line of business was $0.6 million in the first six months of 2000, compared to earnings of $7.8 million in 1999. The 2000 loss included a $1.2 million after-tax charge recorded by Pentzer in the first quarter for expenses related to employee terminations resulting from a redirection of Pentzer's business focus. The 1999 earnings included a transactional gain totaling $10.1 million, net of taxes, recorded by Pentzer as a result of the sale of its Creative Solutions Group of portfolio companies, partially offset by a loss on the sale of equipment.

Operating revenues and expenses from this line of business decreased $64.3 million and $60.7 million, respectively, during the first six months of 2000, as compared to 1999, primarily as a result of the sales of portfolio companies by Pentzer. The Creative Solutions Group of companies was sold at the end of the first quarter of 1999 and the Store Fixtures Group of companies was sold during the third quarter of 1999. Revenues and expenses from these companies were included only in the 1999 amounts.

LIQUIDITY AND CAPITAL RESOURCES

OVERALL OPERATIONS

Operating Activities Operating activities in the first six months of 2000 used net cash of $12.7 million, compared to providing net cash of $77.1 million for the same period in 1999. The net loss for the first half of 2000 was $11.0 million compared to income of $27.9 million for 1999. Increased power prices resulted in significant changes in the mark-to-market balances of energy commodity assets and liabilities during the first half of 2000. A $43.7 million net increase in energy commodities at Avista Utilities was partially offset by a net decrease of $32.1 million in energy commodities at Avista Energy, for a total non-cash impact on net income of $11.6 million. Other working capital components, primarily payables and other accrued liabilities, continued to change substantially in the 2000 period, primarily due to Avista Energy's operations.

Investing Activities Investing activities provided net cash of $47.3 million in the first six months of 2000 compared to using net cash of $2.6 million in the same period in 1999. In 2000, Avista Utilities sold the Centralia Power Plant, resulting in proceeds of approximately $89.2 million, which was offset by $21.6 million in reductions to other non-current balance sheet items. In 1999, Pentzer sold the Creative Solutions Group of companies and Avista Energy acquired Vitol.

Financing Activities Net cash used in financing activities totaled $11.6 million in the first six months of 2000 compared to $99.9 million in 1999. Short-term borrowings increased $12.8 million and $20.0 million of long-term debt was issued, while $27.8 million of long-term debt matured in the first half of 2000. In the first half of 1999, short-term borrowings increased $51.1 million and $0.8 million of long-term debt was issued, while $101.3 million of long-term debt matured or was redeemed. Also, $26.5 million of common stock was repurchased in 1999.

In August 1998, an exchange offer was made whereby shareholders were provided the opportunity to exchange their shares of common stock for depositary shares, also known as RECONS (Return-Enhanced Convertible Securities). Each RECONS represented a one-tenth ownership interest in one share of mandatorily convertible Series L Preferred Stock. Each RECONS paid an annual dividend of $1.24 for a period of about three years and after three years would automatically convert back to common stock, unless the Company exercised its option to convert the Series L Preferred Stock prior to the end of the three-year period. On February 16, 2000, the Company exercised its option to convert all the remaining outstanding shares of Series L Preferred Stock back into common stock. The RECONS were also converted into common stock on the same conversion date, and each of the RECONS was converted into the following: 0.7205 shares of common stock, representing the optional conversion price; plus 0.0361 shares of common stock, representing the optional conversion premium; plus the right to receive $0.21 in cash, representing an amount equivalent to accumulated and unpaid dividends up until, but excluding, the conversion date. Cash payments were made in lieu of fractional shares.

In March 2000, the Company began issuing new shares of common stock to the Employee Investment Plan rather than having the Plan purchase shares of common stock on the open market. Through June 30, 2000, 50,627 new shares of common stock were issued to the Plan.

The Company's total common equity increased $238.9 million during the first six months of 2000 to $632.4 million, primarily due to the conversion of all remaining Series L Preferred Stock back to common stock. The Company's consolidated capital structure at June 30, 2000, was 43% debt, 11% preferred securities and 46% common equity, compared to 47% debt, 27% preferred securities and 26% common equity at December 31, 1999.

Capital expenditures are financed on an interim basis with notes payable (due within one year). On June 26, 2000, the Company renegotiated its committed lines of credit with various banks. The two lines of credit total $230 million, and both expire on June 26, 2001. As part of the renewals, the Company pledged its shares of common stock in Avista Capital as security for these agreements. In addition, the Company has negotiated a $60 million three-month line of credit that expires on October 25, 2000. The Company also has a $50 million regional commercial paper program that is backed by the committed lines of credit and may currently borrow up to $15 million through other borrowing arrangements with banks. As of June 30, 2000, $58.7 million was outstanding under the committed line of credit, $23.1 million was outstanding under the commercial paper program and $52.0 million was outstanding under other short-term borrowing arrangements.

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. External financings and cash provided by operating activities remain the Company's primary source of funds for operating needs, dividends and capital expenditures. As part of its ongoing cash management practices and operations, Avista Corp. may, at any time, have short-term notes receivable and payable with Avista Capital. In turn, Avista Capital may also have short-term notes receivable and payable with its subsidiaries. As of June 30, 2000, Avista Corp. had short-term notes receivable of $55.0 million from Avista Capital.

The following table provides an updated forecast of future capital expenditures, reflecting projected reductions in capital expenditures:

TOTAL COMPANY CASH REQUIREMENTS
(Millions of Dollars)

	Projected		
	2000	2001	2002
Avista Utilities operations:			
Capital expenditures(1)	$ 92	$ 83	$ 81
Debt and preferred stock maturities(2)	316	40	50
Total Avista Utilities	408	123	131
Avista Capital operations:			
Investments in or loans to subsidiaries	41	29	30
Debt maturities	4	1	1
Total Avista Capital	45	30	31
Total Company	$453	$153	$162
Subsidiary capital expenditures(3)	39	69	39

(1) Capital expenditures exclude AFUDC and AFUCE.

(2) Excludes notes payable (due within one year).

(3) To the extent there are financial requirements for capital expenditures for Avista Capital subsidiaries, the companies intend to obtain those funds under financings on a non-recourse basis to Avista Corp.

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, originally expiring May 31, 2000, but extended through September 5, 2000. Avista Energy is in the process of renegotiating the credit agreement with the two commercial banks. The existing 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. This agreement also provides, on an uncommitted basis, for the issuance of letters of credit to secure contractual obligations to counterparties. This 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 June 30, 2000, there were no cash advances (demand notes payable) outstanding and letters of credit outstanding under the facility totaled approximately $103 million. In addition, on July 30, 2000, Avista Energy entered into a new, short-term credit agreement which provides an additional $50 million facility available through September 5, 2000.

As of June 30, 2000, Avista Capital had loaned $60 million to Avista Energy to support its short-term cash and collateral needs. These loans are subordinate to any obligations to the banks under the credit agreements.

Rising prices in power and natural gas during the second quarter of 2000 triggered additional collateral requirements with counterparties. Avista Energy is managing the collateral calls by providing letters of credit, providing guarantees from Avista Capital and offsetting transactions with counterparties. In addition to the letters of credit and other items included above, cash deposited with counterparties totaled $83 million as of June 30, 2000, and is included in the Consolidated Balance Sheets in prepayments and other. The posted collateral will be returned to Avista Energy as forward positions settle.

At June 30, 2000, the Energy Trading and Marketing operations had $34.4 million in cash and marketable securities with $1.0 million in long-term debt outstanding (the current portions of which are included on the Consolidated Balance Sheets in other current liabilities).

Avista Power and Cogentrix Energy, Inc. entered into an agreement to jointly build a 270 megawatt natural gas combustion turbine facility in Rathdrum, Idaho, with 100% of its output contracted to Avista Energy for 25 years. Non-recourse project financing was completed in March 2000 and the facility is currently under construction, with generation expected to start in late 2001. The total cost of the project is estimated at $160 million; Avista Power's equity in the project is approximately $16 million. See Item 5. Other Information about another generation project Avista Power is constructing.

INFORMATION AND TECHNOLOGY OPERATIONS

At June 30, 2000, the Information and Technology operations had $0.1 million in cash and marketable securities with $2.6 million in long-term debt outstanding (the current portions of which are included on the Consolidated Balance Sheets as other current liabilities).

AVISTA VENTURES OPERATIONS

Avista Ventures operations have $21.5 million in short-term borrowing arrangements available ($20.0 million outstanding as of June 30, 2000) to fund Pentzer's portfolio companies' requirements on an interim basis.

At June 30, 2000, these operations had $9.1 million in cash and marketable securities with $3.4 million in long-term debt outstanding (the current portions of which are included on the Consolidated Balance Sheets as other current liabilities).

ENERGY TRADING BUSINESS

The participants in the wholesale energy market are public utility companies and, increasingly, power and natural gas 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.

Avista Utilities 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 or disruptions to transmission facilities) and demand (caused by extreme variations in the weather and other factors). Market risk includes the risk of fluctuation in the market price of associated derivative commodity instruments. 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, or demand for, the commodity.

Credit risk relates to the risk of loss that Avista Utilities and/or Avista Energy would incur as a result of non-performance by counterparties of their contractual obligations to deliver energy and make financial settlements. 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. Avista Utilities 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 occur from time to time. To date, no such default has had a material adverse effect on Avista Utilities 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 $302.7 million at June 30, 2000.

RISK MANAGEMENT

The risk management process established by the Company is designed to measure both quantitative and qualitative risk in the business. Avista Utilities 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 1999 Form 10-K.

Commodity Price Risk. Both Avista Utilities and Avista Energy are subject to commodity price risk. Historically, the price of power in wholesale markets has been affected primarily by production costs and by other factors including streamflows, the availability of hydro and thermal generation and transmission capacity, weather and the resulting retail loads, and the price of coal, natural gas and oil to thermal generating units. Any combination of these factors that resulted in a shortage of energy generally caused the market price of power to move upward. Now, however, market prices appear to be affected by other factors as well. These factors include the gradual elimination of excess generating capacity in the WSCC, which results in higher prices for short-term energy, as well as increasing instances of transmission congestion in the region in periods of high demand. Other factors may include the effects of the restructuring of the electric utility business at the state and federal levels and the deregulation of wholesale energy markets.

Avista Utilities has always estimated future loads based on historic data and forward estimates of factors such as customer usage and weather. In addition, projected resource availability to meet loads is based on estimates of streamflows, unit availability, historic market information and experience. The Company is required to both buy and sell energy on an hourly, monthly and quarterly basis to match actual resources to its actual energy requirements. There may be significant price and volume variances when actual results are compared to estimates.

As of June, price volatility, availability of resources regionally, loads and demand for energy throughout the WSCC have materially impacted the price of energy for meeting retail load on a daily and hourly basis. While the Company has resources available to meet average current and expected retail loads, price volatility and load volatility materially impact the risk to the Company in the future. The Company has a PCA mechanism in Idaho, and has a pending request in Washington for a PCA, both of which would offset a portion of the increased price risk.

The Company has hired Williams Energy Marketing & Trading Company to advise Avista Utilities on risk management, risk analysis and resource optimization issues for all system requirements. The advisory services agreement is effective August 1, 2000 through June 30, 2002.

The following Value-at-Risk (VAR) information for Avista Energy has been updated for the current period. At June 30, 2000, Avista Energy's estimated potential one-day unfavorable impact on gross margin was $1.6 million, as measured by VAR, related to its commodity trading and marketing business. The average daily VAR for the first six months of 2000 was $1.2 million.

Foreign Currency Risk. The Company's market risks related to foreign currency have not changed materially from those reported in the 1999 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, the availability and prices of purchased power, volatility and illiquidity in wholesale energy markets, 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 1999 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The 2000 Annual Meeting of Shareholders of the Company was held on May 11, 2000. The re-election of three directors with expiring terms was the only matter voted upon at the meeting. There were 47,176,912 shares of Common Stock issued and outstanding as of March 23, 2000, the proxy record date, with 39,915,931 shares represented at said meeting. The details of the voting are shown below:

	For	Against or Withheld
Re-election of Directors		
Sarah M. R. (Sally) Jewell	39,246,462	669,469
John F. Kelly	39,250,843	665,088
R. John Taylor	39,243,998	671,933

ITEM 5. OTHER INFORMATION

Securities Litigation See Note 6 of Notes to Financial Statements for information related to recent securities litigation filed against the Company.

Deferred Accounting Treatment for Power Costs On August 9, 2000, the WUTC approved the Company's request for deferred accounting treatment for certain power costs related to the recent increase in short-term wholesale market prices. Deferred accounting treatment is effective for power costs beginning July 1, 2000 and ending June 30, 2001. The specific costs to be deferred will include the changes in power costs to the Company related to three power cost variables: short-term wholesale market prices, hydroelectric generation, and thermal generation. The deferrals each month will be calculated as the difference between the actual costs to the Company associated with these three power cost variables, and the level of costs included in the Company's base retail rates. The power costs to be deferred are related solely to the operation of the Company's system resources to serve its load obligations. Deferrals will not include losses associated with wholesale commercial trading activity. Regulatory approval of the recovery of the deferred costs will be addressed in a future ratemaking proceeding, in which the Company will support the reasonableness and prudence of the costs, and that the Company's resources were optimized to the benefit of its retail customers.

Request for Proposal (RFP) for New Power Generation. On August 9, 2000, the WUTC approved the Company's plan for an RFP for new power generation. The added generation is needed to increase the Company's existing generating capacity as well as replace the generation from its share of the Centralia plant, which was sold in May. As part of the order, the WUTC agreed to waive normal time limits related to going out into the market to see what options are available for development of new generation resources.

Washington Rate Cases. In October 1999, the Company filed for a general electric rate increase of $26.2 million, or 10.4%, since revised to $18.2 million, and a general natural gas rate increase of $4.9 million, or 6.5%, with the WUTC. On May 5, 2000, the WUTC staff recommended a $16.5 million, or 6.5%, electric rate decrease and a $785,000, or 1.0%, natural gas rate increase. The staff also recommended that the Company's annual rate of return on investment for both electricity and natural gas be reduced from its current rate of return of 10.7% to 8.8%. The Company had requested a 9.9% rate of return. These recommendations by the WUTC staff are not binding on the commission, which has until the end of September to issue an order. The Company has vigorously contested the positions of the WUTC staff and intervenors, believing there is a sound basis for rate relief. The Company filed its rebuttal on June 2. Additional hearings for the case were held in early July. Briefs were filed on August 11.

Avista Power's New Power Plant. Avista Power announced that it will build a 280 MW combined cycle natural gas turbine power plant at the Coyote Springs site near Boardman, Oregon. The rights for the Coyote Springs 2 project were purchased from Enron North America and Portland General Electric (PGE). The natural gas turbine that will power the project has been secured. Coyote Springs 2 will be owned by Avista Power and operated by PGE under a 15-year operations and maintenance contract. Engineering and procurement of major equipment in underway, with completion of the project scheduled for June 2002. The Company is working to secure long-term non-recourse project financing by the end of September. The total cost of the project is estimated at $190 million.

Centralia Power Plant. On May 5, 2000, the owners of the Centralia Power Plant sold the plant to TransAlta, a Canadian company. The Company recorded an $8.1 million after-tax gain in the second quarter of 2000 from the sale of its 17.5% ownership interest in the plant. The balance of the total after-tax gain of $33.9 million from the sale of Centralia was deferred, and will be returned to Avista Utilities' customers through rates over established periods of time. Idaho customers will get $6.8 million, which translates into a rate reduction of 1.3% over an eight-year period. Washington customers will receive the remaining $19.0 million, with the method and timing to be determined as part of the pending general rate case. Avista Utilities will require additional generating capacity, and TransAlta has agreed to replace Avista Utilities' lost output for three years through a purchase agreement effective July 1, 2000. The Company is assessing its options for a longer-term replacement of the power.

Regional Transmission Organizations (RTO). Avista Utilities and five other Western utilities have agreed to study the formation of a for-profit company that would own the companies' transmission lines. The other companies involved in the study are Montana Power Co., Puget Sound Energy Corp., Portland General Electric Co., Nevada Power Co. and Sierra Pacific Power Co. This effort is in response to the FERC's Order No. 2000, which requires public utilities subject to FERC regulation to file an RTO proposal, or a description of efforts to participate in an RTO, and any existing obstacles to RTO participation, by October 2000.

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 Court of Appeals, 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. The State of Idaho has filed a petition for writ of certiorari with the United States Supreme Court, which will exercise its discretion to determine whether it will review the decision of the Ninth Circuit. The Court will consider the petition within the next few months.

ADDITIONAL FINANCIAL DATA

At June 30, 2000, the total long-term debt of the Company and its consolidated subsidiaries, as shown in the Company's consolidated financial statements, was approximately $593.3 million. Of such amount, $323.8 million represents long-term unsecured and unsubordinated indebtedness of the Company, and $238.5 million represents secured indebtedness of the Company. The balance of $31.0 million represents 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. An additional $81.8 million of the Company's short-term debt outstanding under or backed by the committed lines of credit is secured.

AVISTA CORPORATION

The following table reflects the ratio of earnings to fixed charges:

	12 Months Ended	
	June 30, 2000	December 31, 1999
Ratio of Earnings to Fixed Charges	0.90 (x)	1.61 (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.

4(a) Bylaws of Avista Corporation, as amended July 1, 2000.

12 Computation of ratio of earnings to fixed charges and preferred dividend requirements.

27 Financial Data Schedule.

(b) Reports on Form 8-K.

Dated June 21, 2000, release regarding significant increases in energy expenses and the impact on Company earnings.

Dated July 26, 2000, release reporting 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: August 14, 2000

/s/ J. E. Eliassen

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

Exhibit 4(a)

BYLAWS
OF
AVISTA CORPORATION

* * * * *

ARTICLE I.
OFFICES

The principal office of the Corporation shall be in the City of Spokane, Washington. The Corporation may have such other offices, either within or without the State of Washington, as the Board of Directors may designate from time to time.

ARTICLE II.
SHAREHOLDERS

SECTION 1. ANNUAL MEETING. The Annual Meeting of Shareholders shall be held on such date in the month of May in each year as determined by the Board of Directors for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the Annual Meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.

SECTION 2. SPECIAL MEETINGS. Special meetings of the shareholders may be called by the President, the Chairman of the Board, the majority of the Board of Directors, the Executive Committee of the Board, and shall be called by the President at the request of the holders of not less than two-thirds (2/3) of the voting power of all shares of the voting stock voting together as a single class. Only those matters that are specified in the call of or request for a special meeting may be considered or voted at such meeting.

SECTION 3. PLACE OF MEETING. Meetings of the shareholders, whether they be annual or special, shall be held at the principal office of the Corporation, unless a place, either within or without the state, is otherwise designated by the Board of Directors in the notice provided to shareholders of such meetings.

SECTION 4. NOTICE OF MEETING. Written or printed notice of every meeting of shareholders shall be mailed by the Corporate Secretary or any Assistant Corporate Secretary, not less than ten (10) nor more than fifty (50) days before the date of the meeting, to each holder of record of stock entitled to vote at the meeting. The notice shall be mailed to each shareholder at his last known post office address, provided, however, that if a shareholder is present at a meeting, or waives notice thereof in writing before or after the meeting, the notice of the meeting to such shareholders shall be unnecessary.

SECTION 5. VOTING OF SHARES. At every meeting of shareholders each holder of stock entitled to vote thereat shall be entitled to one vote for each share of such stock held in his name on the books of the Corporation, subject to the provisions of applicable law and the Articles of Incorporation, and may vote and otherwise act in person or by proxy; provided, however, that in elections of directors there shall be cumulative voting as provided by law and by the Articles of Incorporation.

SECTION 6. QUORUM. The holders of a majority of the number of outstanding shares of stock of the Corporation entitled to vote thereat, present in person or by proxy at any meeting, shall constitute a quorum, but less than a quorum shall have power to adjourn any meeting from time to time without notice. No change shall be made in this Section 6 without the affirmative vote of the holders of at least a majority of the outstanding shares of stock entitled to vote.

SECTION 7. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. For the purposes of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty (50) days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy (70) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

SECTION 8. VOTING RECORD. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten (10) days before each meeting of shareholders, a complete record of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which record, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

SECTION 9. CONDUCT OF PROCEEDINGS. The Chairman of the Board shall preside at all meetings of the shareholders. In the absence of the Chairman, the President shall preside and in the absence of both, the Executive Vice President shall preside. The members of the Board of Directors present at the meeting may appoint any officer of the Corporation or member of the Board to act as Chairman of any meeting in the absence of the Chairman, the President, or Executive Vice President. The Corporate Secretary of the Corporation, or in his absence, an Assistant Corporate Secretary, shall act as Secretary at all meetings of the shareholders. In the absence of the Corporate Secretary or Assistant Corporate Secretary at any meeting of the shareholders, the presiding officer may appoint any person to act as Secretary of the meeting.

SECTION 10. PROXIES. At all meetings of shareholders, a shareholder may vote in person or by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Corporate Secretary of the Corporation before or at the time of the meeting.

ARTICLE III.
BOARD OF DIRECTORS

SECTION 1. GENERAL POWERS. The powers of the Corporation shall be exercised by or under the authority of the Board of Directors, except as otherwise provided by the laws of the State of Washington and the Articles of Incorporation.

SECTION 2. NUMBER AND TENURE. The number of Directors of the Corporation shall be eleven (11); provided, however, that if the right to elect a majority of the Board of Directors shall have accrued to the holders of the Preferred Stock as provided in paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, then, during such period as such holders shall have such right, the number of directors may exceed eleven (11). Directors shall be divided into three classes, as nearly equal in number as possible. At each Annual Meeting of Shareholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Shareholders after their election. Notwithstanding the foregoing, directors elected by the holders of the Preferred Stock in accordance with paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation shall be elected for a term which shall expire not later than the next Annual Meeting of Shareholders. All directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified.

SECTION 3. REGULAR MEETINGS. The regular annual meeting of the Board of Directors shall be held immediately following the adjournment of the annual meeting of the shareholders or as soon as practicable after said annual meeting of shareholders. But, in any event, said regular annual meeting of the Board of Directors must be held on either the same day as the annual meeting of shareholders or the next business day following said annual meeting of shareholders. At such meeting the Board of Directors, including directors newly elected, shall organize itself for the coming year, shall elect officers of the Corporation for the ensuing year, and shall transact all such further business as may be necessary or appropriate. The Board shall hold regular quarterly meetings, without call or notice, on such dates as determined by the Board of Directors. At such quarterly meetings the Board of Directors shall transact all business properly brought before the Board.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the President, the Executive Vice President or any three (3) directors. Notice of any special meeting shall be given to each director at least two (2) days in advance of the meeting.

SECTION 5. EMERGENCY MEETINGS. In the event of a catastrophe or a disaster causing the injury or death to members of the Board of Directors and the principal officers of the Corporation, any director or officer may call an emergency meeting of the Board of Directors. Notice of the time and place of the emergency meeting shall be given not less than two (2) days prior to the meeting and may be given by any available means of communication. The director or directors present at the meeting shall constitute a quorum for the purpose of filling vacancies determined to exist. The directors present at the emergency meeting may appoint such officers as necessary to fill any vacancies determined to exist. All appointments under this section shall be temporary until a special meeting of the shareholders and directors is held as provided in these Bylaws.

SECTION 6. CONFERENCE BY TELEPHONE. The members of the Board of Directors, or of any committee created by the Board, may participate in a meeting of the Board or of the committee by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation in a meeting by such means shall constitute presence in person at a meeting.

SECTION 7. QUORUM. A majority of the number of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The action of a majority of the directors present at a meeting at which a quorum is present shall be the action of the Board.

SECTION 8. ACTION WITHOUT A MEETING. Any action required by law to be taken at a meeting of the directors of the Corporation, or any action which may be taken at a meeting of the directors or of a committee, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

SECTION 9. VACANCIES. Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, (a) any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors and any director so elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and (b) any directorship to be filled by reason of an increase in the number of directors may be filled by the Board of Directors for a term of office continuing only until the next election of directors by the shareholders.

SECTION 10. RESIGNATION OF DIRECTOR. Any director or member of any committee may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein. If no time is specified, it shall take effect from the time of its receipt by the Corporate Secretary, who shall record such resignation, noting the day, hour and minute of its reception. The acceptance of a resignation shall not be necessary to make it effective.

SECTION 11. REMOVAL. Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, any director may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all of the shares of capital stock of the Corporation entitled generally to vote in the election of directors voting together as a single class, at a meeting of shareholders called expressly for that purpose; provided, however, that if less than the entire Board of Directors is to be removed, no one of the directors may be removed if the votes cast against the removal of such director would be sufficient to elect such director if then cumulatively voted at an election of the class of directors of which such director is a part. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 12. ORDER OF BUSINESS. The Chairman of the Board shall preside at all meetings of the directors. In the absence of the Chairman, the officer or member of the Board designated by the Board of Directors shall preside. At meetings of the Board of Directors, business shall be transacted in such order as the Board may determine. Minutes of all proceedings of the Board of Directors, or committees appointed by it, shall be prepared and maintained by the Corporate Secretary or an Assistant Corporate Secretary and the original shall be maintained in the principal office of the Corporation.

SECTION 13. NOMINATION OF DIRECTORS. Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, nominations for the election of directors may be made by the Board of Directors, or a nominating committee appointed by the Board of Directors, or by any holder of shares of the capital stock of the Corporation entitled generally to vote in the election of directors (such stock being hereinafter in this Section called "Voting Stock"). However, any holder of shares of the Voting Stock may nominate one or more persons for election as directors at a meeting only if written notice of such shareholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Corporate Secretary not later than (i) with respect to an election to be held at an annual meeting of shareholders, ninety (90) days in advance of such meeting and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that such shareholder is a holder of record of shares of the Voting Stock of the Corporation and intends to appear in person or by proxy at the meeting to nominate the person or persons identified in the notice; (c) a description of all arrangements or understandings between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any subsequent revisions replacing such Act, rules or regulations) if the nominee(s) had been nominated, or were intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a Director of the Corporation if so elected. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

SECTION 14. PRESUMPTION OF ASSENT. A director of the Corporation who is present at a meeting of the Board of Directors, or of a committee thereof, at which action on any corporate matter is taken, shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Corporate Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 15. RETIREMENT OF DIRECTORS. Directors who are seventy (70) years of age or more shall retire from the Board effective at the conclusion of the Annual Meeting of Shareholders held in the year in which their term expires, and any such Director shall not be nominated for election at such Annual Meeting. The foregoing shall be effective in 1988 and thereafter as to any Director who is seventy (70) years of age or more during the year in which his or her term expires.

ARTICLE IV.
EXECUTIVE COMMITTEE
AND
ADDITIONAL COMMITTEES

SECTION 1. APPOINTMENT. The Board of Directors, by resolution adopted by a majority of the Board, may designate three or more of its members to constitute an Executive Committee. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

SECTION 2. AUTHORITY. The Executive Committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors including authority to authorize distributions or the issuance of shares of stock, except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee or by law.

SECTION 3. TENURE. Each member of the Executive Committee shall hold office until the next regular annual meeting of the Board of Directors following his designation and until his successor is designated as a member of the Executive Committee.

SECTION 4. MEETINGS. Regular meetings of the Executive Committee may be held without notice at such times and places as the Executive Committee may fix from time to time by resolution. Special meetings of the Executive Committee may be called by any member thereof upon not less than two (2) days notice stating the place, date and hour of the meeting, which notice may be written or oral. Any member of the Executive Committee may waive notice of any meeting and no notice of any meeting need be given to any member thereof who attends in person.

SECTION 5. QUORUM. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business at any meeting thereof. Actions by the Executive Committee must be authorized by the affirmative vote of a majority of the appointed members of the Executive Committee.

SECTION 6. ACTION WITHOUT A MEETING. Any action required or permitted to be taken by the Executive Committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members of the Executive Committee.

SECTION 7. PROCEDURE. The Executive Committee shall select a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these Bylaws. It shall keep regular minutes of its proceedings and report the same to the Board of Directors for its information at a meeting thereof held next after the proceedings shall have been taken.

SECTION 8. COMMITTEES ADDITIONAL TO EXECUTIVE COMMITTEE. The Board of Directors may, by resolution, designate one or more other committees, each such committee to consist of two (2) or more of the directors of the Corporation. A majority of the members of any such committee may determine its action and fix the time and place of its meetings unless the Board of Directors shall otherwise provide.

ARTICLE V.
OFFICERS

SECTION 1. NUMBER. The Board of Directors shall elect one of its members Chairman of the Board. The Board of Directors shall elect a President, who may also serve as Chairman, one or more Vice Presidents, a Corporate Secretary, a Treasurer, and may from time to time elect such other officers as the Board deems appropriate. The same person may be appointed to more than one office, except that the offices of President and Corporate Secretary may not be held by the same person. The Board of Directors has granted authority to the Chief Executive Officer to appoint such assistant officers as might be deemed appropriate.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the Corporation shall be elected by the Board of Directors at the annual meeting of the Board. Each officer shall hold office until his successor shall have been duly elected and qualified.

SECTION 3. REMOVAL. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 4. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. POWERS AND DUTIES. The officers shall have such powers and duties as usually pertain to their offices, except as modified by the Board of Directors, and shall have such other powers and duties as may from time to time be conferred upon them by the Board of Directors.

ARTICLE VI.
CONTRACTS, CHECKS AND DEPOSITS

SECTION 1. CONTRACTS. The Board of Directors may authorize any officer or officers or agents, to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 2. CHECKS/DRAFTS/NOTES. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 3. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors by resolution may select.

ARTICLE VII.
CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors and shall contain such information as prescribed by law. Such certificates shall be signed by the President or a Vice President and by either the Corporate Secretary or an Assistant Corporate Secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

SECTION 2. TRANSFER OF SHARES. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Corporate Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes. The Board of Directors shall have power to appoint one or more transfer agents and registrars for transfer and registration of certificates of stock.

ARTICLE VIII.
CORPORATE SEAL

The seal of the Corporation shall be in such form as the Board of Directors shall prescribe.

ARTICLE IX.
INDEMNIFICATION

SECTION 1. INDEMNIFICATION OF DIRECTORS AND OFFICERS. The Corporation shall indemnify and reimburse the expenses of any person who is or was a director, officer, agent or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another enterprise or employee benefit plan to the extent permitted by and in accordance with Article SEVENTH of the Company's Articles of Incorporation and as permitted by law.

SECTION 2. LIABILITY INSURANCE. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the laws of the State of Washington.

SECTION 3. RATIFICATION OF ACTS OF DIRECTOR, OFFICER OR SHAREHOLDER. Any transaction questioned in any shareholders' derivative suit on the ground of lack of authority, defective or irregular execution, adverse interest of director, officer or shareholder, nondisclosure, miscomputation, or the application of improper principles or practices of accounting may be ratified before or after judgment, by the Board of Directors or by the shareholders in case less than a quorum of directors are qualified; and, if so ratified, shall have the same force and effect as if the questioned transaction had been originally duly authorized, and said ratification shall be binding upon the Corporation and its shareholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

ARTICLE X.
AMENDMENTS

Except as to Section 6 of Article II of these Bylaws, the Board of Directors may alter or amend these Bylaws at any meeting duly held, the notice of which includes notice of the proposed amendment. Bylaws adopted by the Board of Directors shall be subject to change or repeal by the shareholders; provided, however, that Section 2 of the Article II, Section 2 (other than the provision thereof specifying the number of Directors of the Corporation), and Sections 9, 11 and 13 of Article III and this proviso shall not be altered, amended or repealed, and no provision inconsistent therewith or herewith shall be included in these Bylaws, without the affirmative votes of the holders of at least eighty percent (80%) of the voting power of all the shares of the Voting Stock voting together as a single class.

EXHIBIT 12

AVISTA CORPORATION

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

	12 Mos. Ended June 30, 2000	Years Ended December 31 1999	1998	1997	1996
Fixed charges, as defined:					
Interest on long-term debt	$ 60,213	$ 62,032	$ 66,218	$ 63,413	$ 60,256
Amortization of debt expense and premium - net	3,071	3,044	2,859	2,862	2,998
Interest portion of rentals	4,476	4,645	4,301	4,354	4,311
Total fixed charges	$ 67,760	$ 69,721	$ 73,378	$ 70,629	$ 67,565
Earnings, as defined:					
Net income from continuing ops	$(12,834)	$ 26,031	$ 78,139	$114,797	$ 83,453
Add (deduct):					
Income tax expense	5,757	16,740	43,335	61,075	49,509
Total fixed charges above	67,760	69,721	73,378	70,629	67,565
Total earnings	$ 60,683	$112,492	$194,852	$246,501	$200,527
Ratio of earnings to fixed charges	0.90	1.61	2.66	3.49	2.97

UT
1,000

6-MOS
DEC-31-2000
JUN-30-2000
PER-BOOK
1,489,776
1,148,945
4,945,735
285,506
0
7,869,962
601,456
(11,769)
42,750
632,437
145,000
0
520,626
110,750
24,601
23,082
47,288
0
3,066
1,512
6,361,600
7,869,962
2,735,387
1,803
2,734,057
2,734,057
1,330
19,471
20,801
29,966
(10,968)
22,518
(33,486)
11,300
0
(12,723)
(0.76)
(0.76)

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.