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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): June 21, 2005

**AVISTA CORPORATION**

(Exact name of registrant as specified in its charter)

Washington

(State or other jurisdiction of  
incorporation)

1-3701

(Commission  
File Number)

91-0462470

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

1411 East Mission Avenue, Spokane, Washington

(Address of principal executive offices)

99202-2600

(Zip Code)

Registrant's telephone number, including area code:

Web site: <http://www.avistacorp.com>

509-489-0500

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Section 1 – Registrant’s Business and Operations

### Item 1.01 Entry into a Material Definitive Agreement.

On June 21, 2005, Avista Corporation (Avista Corp. or the Company) announced the naming of Marian Durkin as senior vice president and general counsel, effective August 1, 2005. For further details, please refer to the press release filed as Exhibit 99.1 to this Current Report, which is incorporated herein by reference. Neither the filing of any press release as an exhibit to this Current Report nor the inclusion in such press releases of a reference to the Internet address of Avista Corp. or its subsidiaries shall, under any circumstances, be deemed to incorporate the information available at such Internet addresses into this Current Report. The information available at the Internet address of Avista Corp. or its subsidiaries is not part of this Current Report or any other report furnished or filed by Avista Corp. with the Securities and Exchange Commission.

The Company has entered into an employment agreement with Marian Durkin in the form of a Letter of Employment. The agreement provides for Ms. Durkin’s annual base salary to be \$260,000. For 2005, the incentive bonus potential for Ms. Durkin’s position of Senior Vice President is 60% of base salary, which will be pro-rated based upon the effective start date, and paid on the same basis as incentive bonus payments to other officers. The agreement also allows Ms. Durkin to participate in Avista Corporation’s Executive Performance Share Plan. As a Senior Vice President, Ms. Durkin will be awarded an annual grant of 15,500 performance shares, with a potential payout of 0% — 150% of each grant based on a 3-year performance cycle. Ms. Durkin will also be provided with a Change in Control Contract upon her hire date.

As an executive of the Company, Ms. Durkin will be enrolled in the Executive Income Continuation Plan and the Supplemental Executive Long Term Disability Plan. Ms. Durkin will also be eligible to participate in the Supplemental Executive Retirement Plan, according to the eligibility set forth in the Plan document with the addition of the following provision:

After completing five years of full-time employment service Ms. Durkin will receive a “two for one” credit for Vesting Service for each completed year of full-time service from year six through year ten (employment service).

The foregoing summary of the employment agreement in the form of a Letter of Employment is qualified in its entirety by reference to the actual Letter of Employment, which is filed as Exhibit 10.1 hereto.

## Section 9 – Financial Statements and Exhibits

### Item 9.01 Financial Statements and Exhibits.

#### (c) Exhibits

10.1 Employment Agreement between the Company and Marian Durkin in the form of a Letter of Employment.

99.1 Press release dated June 21, 2005.

### SIGNATURES

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

AVISTA CORPORATION  
(Registrant)

Date: June 23, 2005

/s/ Malyn K. Malquist

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

April 26, 2005

Marian Durkin

Re: Amended Offer Letter of Employment

Dear Marian:

This letter will confirm our recent discussions leading to this offer to you for the position of Senior Vice President and General Counsel of Avista Corporation. We have agreed that your effective starting date will be a mutually agreeable date that begins prior to August 1, 2005. Your annual salary in your position as Senior Vice President and General Counsel will be \$260,000, paid in 26 biweekly increments in accordance with Avista Corporation's normal payroll procedures. You will be eligible to participate in Avista Corporation's Executive annual incentive plan. For year 2005, the incentive bonus potential for your position as Senior Vice President is 60% of base salary and would be pro-rated based upon your effective start date. Actual incentive bonus payout for officers is determined based on successfully reaching the objectives identified in each annual plan. You will also be eligible to participate in Avista Corporation's Executive Performance Share Plan. As a Senior Vice President you will be awarded an annual grant of 15,500 performance shares, with a potential payout of 0% - 150% of each grant based on a 3-year performance cycle. You will also be provided with a Change in Control Contract upon your hire date that provides you with benefit protection as outlined in the contract in the event of a change in control.

As an Avista Corporation employee, you and your eligible family members will be entitled to participate in the normal benefits package offered to all employees, including medical, vision, and dental coverage. You will also be eligible to participate in the 401(k) plan on the enrollment date that coincides with or immediately follows your employment date (20th of each month, effective the first pay close in the following month).

As an executive of the Company, you will be enrolled in the Executive Income Continuation Plan and the Supplemental Executive Long Term Disability Plan upon completion of your signature for these plans. You will also be eligible to participate in the Supplemental

Executive Retirement Plan, according to the eligibility set forth in the Plan document with the addition of the following provision.

After completing five years of full-time employment service you will receive a "two for one" credit for Vesting Service for each completed year of full-time service from year six through year ten (employment service). Your five-year employment anniversary triggers commencement of the additional Vesting Service credit. There is no "two for one" credit prior to completion of your fifth year of employment or after completion of your tenth year of employment. For illustrative purposes, if you terminated your employment at your seventh employment anniversary you would have a total of nine years Vesting Service credit in the Supplemental Executive Retirement Plan. As an additional illustration, if instead you terminated your employment at your eleventh employment anniversary you would have a total of sixteen years Vesting Service credit in the Supplemental Executive Retirement Plan.

EMPLOYMENT SERVICE -----	VESTING SERVICE -----
5 years	5 years
5-1/2 years	6 years
6 years	7 years
7 years	9 years
10 years	15 years
11 years	16 years

The Retirement Plan for Employees of Avista Corporation will be utilized in determining the benefit payable from the Supplemental Executive Retirement Plan.

To assist with your move to Spokane, Avista will provide you with a relocation coordinator and cover the applicable reimbursable amounts of the actual costs of your relocation up to \$35,000. The relocation coordinator would assist you in understanding what costs are covered under the relocation guidelines. The Company will pay for reasonable expenses for two round trips for you between Chicago and Spokane, including airfare, lodging, and meals in connection with house-hunting trips of up to seven days in duration for you and your spouse. The Company will also pay for reasonable temporary living expenses for a period of up to 90 days for food, lodging, and rental car, if necessary, upon arrival in Spokane.

You will receive an initial bank of 15 one-leave days immediately upon employment, which can be used in accordance with Avista Corporation policy guidelines. Commencing on your employment date, your one leave will be accumulated on an accrual basis each pay period based upon years of service according to the plan provisions.

Please note that your acceptance of this offer does not create a contract of continuing employment at Avista Corporation. Your employment with Avista Corporation is and will continue to be on an at-will basis; either you or Avista Corporation may terminate the employment relationship at any time, for any reason not expressly prohibited by law.

Notwithstanding the foregoing, in the event that, at any time prior to your completing two years of full-time employment with Avista Corporation, the Company chooses to relieve you from your position, other than for Cause, as defined below, or an actual Change in Control event, you will be entitled to receive the severance benefits described in the next paragraph. This entitlement will cease completely at your second year employment anniversary date. In the event of a Change in Control, your Change of Control contract takes precedent and this severance benefit is not payable.

On any termination of your employment by Avista entitling you to severance benefits, you would be entitled to receive severance payments (less applicable withholding taxes) at a rate equal to your current base salary as then in effect, for a period of one year from the date of such termination, to be paid periodically in accordance with Avista Corporation's normal payroll policies. The company will also continue to provide you with regular company medical health benefits for the period of the first three months following termination. After this period of time you could choose to elect to participate in COBRA coverage at which time you would be responsible for paying the full monthly premium associated with the coverage you elected.

For purposes of this offer letter, Cause shall mean (i) any act of personal dishonesty taken by you in connection with your responsibilities as an employee which is intended to result in your personal enrichment, (ii) your conviction of a felony, (iii) any act or omission by you that constitutes material misconduct and is injurious to Avista Corporation, (iv) failure to obtain or maintain the requisite licenses and status necessary to perform in your position, or (v) continued violations by you of your obligations to Avista Corporation.

This offer is contingent upon the company completing reference checks as supplied by you and you successfully passing our pre-employment drug testing. As a condition of employment, you will be required to sign a Confidentiality, Non-Solicitation, Invention and Non-Compete Agreement. This letter and the Confidentiality, Non-Solicitation, Invention and Non-Compete Agreement set forth the terms of your employment with Avista Corporation and supersede any prior representations or agreements of the company, whether written or oral. This letter may not be modified or amended except by a written agreement signed by the CEO and Chairman of Avista Corporation and you.

In the event of any dispute or claim relating to or arising out of our employment relationship, you and Avista Corporation agree that (i) any and all such disputes will be fully and finally resolved by binding arbitration conducted by the American Arbitration Association in Spokane County, Washington, (ii) you are waiving any and all rights to a jury trial, but all court remedies will be available in arbitration, (iii) all disputes will be resolved by a neutral arbitrator who will issue a written opinion, (iv) the arbitration will provide for adequate discovery, and (v) each of you and Avista Corporation will pay one half of the costs and expenses of such arbitration and each of you and Avista Corporation will separately pay your respective counsel fees and expenses. However, we agree that this arbitration provision will not apply to any disputes or claims relating to or arising out of the misuse or misappropriation of Avista Corporation's proprietary information. Therefore, Avista Corporation reserves the right to seek injunctive relief in court should it become necessary.

I am looking forward to you joining Avista Corporation, and I have full confidence that your background and experience will assist you in making a significant contribution to the legal and strategic direction of our Company. If you are in agreement with the general terms outlined in this letter, I ask that you sign and return the original letter to me as soon as possible.

Sincerely,

/s/ Gary G. Ely

Gary G. Ely  
CEO and Chairman of the Board of Directors  
Avista Corporation

Accepted by: /s/ Marian M. Durkin

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Marian M. Durkin

Dated: 5/5/05



**Contact:**

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**Avista Corp. Names Marian Durkin Senior Vice President and General Counsel**

***Durkin will join Avista on Aug. 1***

**SPOKANE, Wash. – June 21, 2005, 5:30 a.m. PDT:** Avista Corp. (NYSE: AVA) has named Marian Durkin as senior vice president and general counsel, effective Aug. 1.

Durkin, 51, joins Avista from United Air Lines, Inc., in Chicago, Ill., where she most recently served as vice president deputy general counsel and assistant secretary.

Durkin will be the chief legal officer for Avista Corp. and will provide legal counsel and guidance to the Board of Directors and officers on legal matters relevant to the company and its subsidiaries.

“Marian promises to be an outstanding addition to our leadership team. She brings an impressive background and a wealth of experience to this position. Marian is well respected for her expertise and strategic capability in the areas of negotiations, labor management, litigation, corporate governance, and merger and acquisitions. Her capabilities will provide tremendous value to our company in the years to come,” said Gary G. Ely, board chairman, president and chief executive officer for Avista Corp.

“I’m looking forward to this new opportunity with Avista, and I’m pleased to be joining such a well-respected company with a well-earned reputation for creativity and innovation,” Durkin said.

Prior to joining United where she held several legal positions during her 10 years with the company, Durkin was a partner in the Minneapolis, Minn., law firm of Briggs and Morgan, P.A.

Durkin, a native of Narbeth, Penn., earned both a law degree and a master’s of law degree in taxation from William Mitchell College of Law in Saint Paul, Minn. She earned a bachelor’s degree in political science from Manhattanville College in Purchase, N.Y.

Durkin is active in a number of community organizations and is a frequent lecturer at legal conferences. She has also served as an adjunct professor at William Mitchell College of Law and is a member of both the Minnesota and Illinois Bars.

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Durkin and her husband, Terry, are the parents of two children.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is a company operating division that provides service to 330,000 electric and 285,000 natural gas customers in three western states. Avista's non-regulated subsidiaries include Avista Advantage ([www.avistaadvantage.com](http://www.avistaadvantage.com)) and Avista Energy ([www.avistaenergy.com](http://www.avistaenergy.com)). Avista Corp.'s stock is traded under the ticker symbol "AVA." For more information about Avista, please visit [www.avistacorp.com](http://www.avistacorp.com).

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