

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-3
Registration Statement
and
Post-Effective Amendment No. 5
under
the Securities Act of 1933

AVISTA CORPORATION

(Exact name of Registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

4931
(Primary Standard Industrial
Classification Code Number)
1411 East Mission Avenue
Spokane, Washington 99202
(509) 489-0500

91-0462470
(I.R.S. Employer
Identification No.)

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

DAVID J. MEYER
Senior Vice President and
General Counsel
Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202
(509) 489-0500

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1301 Avenue of the Americas
New York, New York 10019
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(Name and address, including zip code, and telephone number, including area code, of agents for service)

It is respectfully requested that the Commission
send copies of all notices, orders and communications to:

John E. Baumgardner, Jr.
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004

Approximate date of commencement of proposed sale to the public: From time to time as determined by market conditions and other factors, after the registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit (1)	Proposed maximum aggregate offering price	Amount of registration fee
Debt Securities	\$9,000,000	100%	\$9,000,000	\$728.10

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457.

Pursuant to Rule 429 under the Securities Act of 1933, as amended (the "Securities Act"), the prospectus contained in this registration statement will be used as a combined prospectus in connection with this Registration Statement and Registration Statement No. 333-39551 which was filed on November 5, 1997 and became effective on April 22, 1998 (the "Prior Registration Statement") under which \$141,000,000 in principal amount of debt securities remain unsold. This Registration Statement is a new registration statement and also constitutes Post-Effective Amendment No. 5 to the Prior Registration Statement. Such Post-Effective Amendment will become effective concurrently with the effectiveness of this Registration Statement in accordance with Section 8(c) of the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information contained in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 25, 2003

PROSPECTUS

\$150,000,000

AVISTA CORPORATION

Debt Securities

Avista Corporation may offer from time to time up to \$150,000,000 in principal amount of its secured and unsecured debt securities, in one or more series, at prices and on terms to be determined at the time of sale.

One or more supplements to this prospectus will indicate the terms of each series of debt securities, and each tranche within a series including, where applicable, the

- series designation,
- principal amount,
- stated maturity date,
- interest rate and interest payment dates,
- initial public offering price, and
- provisions for redemption, if any.

Avista Corporation may sell the debt securities to or through underwriters, dealers or agents or directly to one or more purchasers. The applicable prospectus supplement will describe each offering of the debt securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2003

This prospectus incorporates by reference important business and financial information about Avista Corp. that is not included in or delivered with this prospectus. See “Where You Can Find More Information”. You may obtain copies of documents containing such information from us, without charge, by either calling or writing to us at:

Avista Corporation
Post Office Box 3727
Spokane, Washington 99220
Attention: Treasurer
Telephone: (509) 489-0500

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We have not authorized anyone to give you any information other than this prospectus and the usual supplements to this prospectus. You should not assume that the information contained in this prospectus, any prospectus supplement or any document incorporated by reference in this prospectus is accurate as of any date other than the date mentioned on the cover page of those documents. We are not offering to sell the Debt Securities (defined below) and we are not soliciting offers to buy the Debt Securities in any jurisdiction in which offers are not permitted.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Avista Corporation filed with the Securities and Exchange Commission, (the “SEC”), using the “shelf” registration process. Under this shelf registration process, we may, from time to time, sell the securities described in this prospectus in one or more offerings up to a total dollar amount of \$150,000,000. This prospectus provides a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. That prospectus supplement may include or incorporate by reference a detailed and current discussion of any risk factors and will discuss any special considerations applicable to those securities, including the plan of distribution. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under “Where You Can Find More Information”. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information contained in that prospectus supplement.

References in the prospectus to the term “we”, “us” or “Avista Corp.” or other similar terms mean Avista Corporation and its consolidated subsidiaries, unless we state otherwise or the context indicates otherwise.

We may use this prospectus to offer from time to time:

- Secured bonds issued under a Mortgage and Deed of Trust, dated as of June 1, 1939 (the “Original Mortgage”) between Avista Corp. and Citibank, N.A., as trustee (the “Mortgage Trustee”); the Original Mortgage, as amended and supplemented from time to time, being hereinafter called the “Mortgage”. The secured bonds offered by this prospectus are hereinafter referred to as “Bonds”.
- Unsecured notes, debentures or other debt securities issued under an Indenture, dated as of April 1, 1998 (the “Original Indenture”) between Avista Corp. and JPMorgan Chase Bank, as trustee (the “Indenture Trustee”); the Original Indenture, as amended and supplemented from time to time, being hereinafter called the “Indenture”. The unsecured notes, debentures and other debt securities offered by this prospectus are hereinafter referred to as “Notes” and, together with the Bonds, are hereinafter referred to as “Debt Securities”.

For more detailed information about the Debt Securities, you can read the exhibits to the registration statement. Those exhibits have been either filed with the registration statement or incorporated by reference to earlier SEC filings listed in the registration statement. See “Where You Can Find More Information”.

See page 4 for “SAFE HARBOR FOR FORWARD LOOKING STATEMENTS”, which sets forth a warning regarding forward-looking information contained or incorporated by reference in this prospectus.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

We are including the following cautionary statements in this prospectus 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, Avista Corp. Forward-looking statements include statements concerning plans, objectives, goals, strategies, projections of future events or performance, and underlying assumptions (many of which are based, in turn, upon further assumptions) and are all statements which are not statements of historical fact. Forward-looking statements include statements that are identified by the use of the words such as, but not limited to, “will”, “anticipates”, “seeks to”, “estimates”, “expects”, “intends”, “plans”, “predicts”, and similar expressions. From time to time, we may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of Avista Corp., are also expressly qualified by these cautionary statements.

Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those expressed. Most of these uncertainties are beyond our control. Such risks and uncertainties include, among others:

- Changes in the utility regulatory environment in the individual states in which we operate and the United States in general. This can impact allowed rates of return, financings, or industry and rate structures;
- The impact of regulatory and legislative decisions, including Federal Energy Regulatory Commission (“FERC”) price controls, and including possible retroactive price caps and resulting refunds;
- The impact from the potential formation of a regional transmission organization and/or an independent transmission company;
- The impact from the implementation of the FERC’s proposed wholesale power market rules;
- Volatility and illiquidity in wholesale energy markets, including the availability and prices of purchased energy;
- Wholesale and retail competition (including but not limited to electric retail wheeling and transmission costs);
- Future streamflow conditions that affect the availability of hydroelectric resources;
- Outages at any Avista Corp. owned generating facilities;
- Unanticipated delays or changes in construction costs with respect to present or prospective generating facilities;
- Changes in weather conditions that can affect customer demand, result in natural disasters and/or customer outages;
- Changes in industrial, commercial and residential growth and demographic patterns in our service territory;
- The loss of significant customers and/or suppliers;
- Failure to deliver on the part of any parties from which we purchase and/or sell capacity or energy;
- Changes in the creditworthiness of customers and energy trading counterparties;
- Our ability to obtain financing through the issuance of debt and/or equity securities, which can be affected by various factors including our credit ratings, interest rate fluctuations and other capital market conditions;
- Changes in future economic conditions in our service territory and the United States in general, including inflation or deflation and monetary policy;

- The potential for future terrorist attacks, particularly with respect to utility plant assets;
- Changes in tax rates and/or policies;
- Research and development findings for the companies in our Information and Technology line of business;
- Changes in, and compliance with, environmental and endangered species laws, regulations, decisions and policies, including present and potential environmental remediation costs;
- The outcome of legal and regulatory proceedings concerning Avista Corp. or affecting directly or indirectly its operations;
- Employee issues, including changes in collective bargaining unit agreements, strikes, work stoppages or the loss of key executives;
- Changes in actuarial assumptions and the return on assets with respect to our pension plan, which can impact future funding obligations, costs and pension plan liabilities;
- Increasing health care costs and the resulting effect on health insurance premiums paid for employees and the obligation to provide post-retirement health care benefits; and
- Increasing costs of insurance, changes in coverage terms and the ability to obtain insurance.

Our expectations, beliefs and projections are expressed in good faith and are believed by us to have a reasonable basis, including without limitation management's examination of historical operating trends, data contained in our records and other data available from third parties. However, there can be no assurance that our expectations, beliefs, or projections will be achieved or accomplished. Furthermore, any forward-looking statement speaks only as of the date on which such statement is made. We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on Avista Corp.'s business or the extent to which any such factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

General

Avista Corp., which was incorporated in the State of Washington in 1889, is an energy company engaged in the generation, transmission and distribution of energy as well as other energy-related businesses. Our corporate headquarters are in Spokane, Washington, which serves as the Inland Northwest center for manufacturing, transportation, health care, education, communication, agricultural, financial and service businesses.

Our operations are organized into four lines of business:

- Avista Utilities;
- Energy Marketing and Resource Management;
- Information and Technology; and
- Other.

Avista Utilities, which is an operating division of Avista Corp. and not a separate entity, generates, transmits and distributes electricity and distributes natural gas to customers in four western states and is subject to state and federal price regulation. Avista Capital, our wholly-owned subsidiary, owns all of the subsidiary companies engaged in the other non-utility lines of business.

Avista Utilities

Avista Utilities generates, transmits and distributes electricity and distributes natural gas. Our retail electric and natural gas customers include residential, commercial and industrial classifications. Avista Utilities also engages in wholesale purchases and sales of electric capacity and energy as part of its resource management and load-serving obligations.

Avista Utilities currently provides electricity and natural gas distribution and transmission services in a 26,000 square mile area in eastern Washington and northern Idaho with a population of approximately 813,000. It also provides natural gas distribution service in northeast and southwest Oregon and the South Lake Tahoe region of California, over a combined area of 4,000 square miles having a population of approximately 611,000 as of December 31, 2002. At the end of 2002, Avista Utilities supplied retail electric service to approximately 320,000 customers in eastern Washington and northern Idaho, and retail natural gas service to approximately 290,000 customers in parts of Washington, Idaho, Oregon and California.

In addition to providing electric transmission and distribution services, Avista Utilities generates electricity for sales to retail customers. Avista Utilities owns and operates eight hydroelectric projects, a wood-waste fueled generating station, a two-unit natural gas-fired combustion turbine ("CT") generating facility and two small generating facilities. It also owns a 15% share in a two-unit coal-fired generating facility and leases and operates a two-unit natural gas-fired CT generating facility. At the end of 2002, Avista Utilities had a total net capability of approximately 1,511 megawatts, of which 64% was hydroelectric and 36% was thermal. In mid-2003, it is expected that the natural gas-fired Coyote Springs 2 Generation Project ("Coyote Springs 2") will be placed into operation. Avista Utilities has a 50% ownership interest (totaling approximately 140 megawatts) in Coyote Springs 2. In addition to company owned resources, Avista Utilities has a number of long-term power purchase and exchange contracts that increase its available resources.

Energy Marketing and Resource Management

The Energy Marketing and Resource Management line of business includes Avista Energy, Inc. (“Avista Energy”) and Avista Power, LLC (“Avista Power”) both wholly-owned subsidiaries of Avista Capital.

Avista Energy is an electricity and natural gas marketing and trading business operating primarily within the Western Electricity Coordinating Council, which is comprised of eleven western states. Avista Energy trades electricity and natural gas, along with derivative commodity instruments including futures, options, swaps and other contractual arrangements. Avista Energy’s customers include commercial and industrial end-users, electric utilities, natural gas distribution companies and other trading companies.

Avista Power was originally formed to develop and own generation assets. During 2001, the Company decided that Avista Power would no longer pursue the development of additional non-regulated generation projects. Avista Power continues to manage the generation assets it currently owns.

Information and Technology

The Information and Technology line of business includes Avista Advantage, Inc. (“Avista Advantage”) and Avista Laboratories, Inc. (“Avista Labs”), both subsidiaries of Avista Capital.

- Avista Advantage is a provider of internet-based facility intelligence, cost management, billing and information services to retail customers throughout North America. Its primary product lines include consolidated billing, resource accounting, energy analysis, load profiling and maintenance and repair billing services.
- Avista Labs has patented and developed a modular air-cooled, self-hydrating Proton Exchange Membrane fuel cell that provides reliable and clean distributed power solutions. In addition, Avista Labs provides system solutions to industrial, commercial and residential markets. Avista Labs holds a 70% equity interest in H2fuel, LLC, a developer of fuel processors for the production of hydrogen. Avista Corp. intends to reduce its ownership interest in Avista Labs to less than 20 percent.

Avista Communications, Inc., formerly part of the Information and Technology line of business, provided local dial tone, data transport, internet services, voice messaging and other telecommunications services to several communities in the western United States. In September 2001, Avista Corp. decided that it would dispose of substantially all of the assets of Avista Communications, Inc. As such, these operations are reported as a discontinued operation. Avista Corp. began its divestiture of this business during the fourth quarter of 2001. The divestiture of operating assets was completed by the end of 2002. Certain liabilities of the operations remain to be settled.

Other

The Other line of business includes several subsidiaries, including Avista Ventures, Inc., Pentzer Corporation, Avista Development and Avista Services. The operations of Avista Capital that are not included through its subsidiaries are reported in this line of business. Prior to 1999, Pentzer Corporation was the parent company to the majority of Avista Corp.’s other subsidiary businesses, controlling interests in a broad range of middle market companies. Beginning in 2000, the focus of this line of business was changed to invest in business opportunities that have potential value to the Company’s energy-related businesses. The Company continues to limit its future investment in this line of business.

USE OF PROCEEDS

Avista Corp. intends to use the net proceeds from the issuance and sale of the Debt Securities offered by this prospectus for any or all of the following purposes: (a) to refinance maturing long-term debt, (b) to continue to fund retirements (through redemption, purchase or acquisition) of longer-term debt and (c) to accomplish other general corporate purposes permitted by law.

DESCRIPTION OF THE BONDS

Avista Corp. may issue the Bonds in one or more series or tranches within a series. The terms of the Bonds will include those stated in the Mortgage and those made part of the Mortgage by the Trust Indenture Act. The following summary is not complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Mortgage and the Trust Indenture Act. The Bonds, together with all other debt securities outstanding under the Mortgage, are hereinafter called, collectively, the "Mortgage Securities". Avista Corp. has filed the Mortgage, as well as a form of supplemental indenture to the Mortgage to establish a series of Bonds, as exhibits to the registration statement of which this prospectus is a part. Capitalized terms used under this heading which are not otherwise defined in this prospectus have the meanings set forth in the Mortgage. Wherever particular provisions of the Mortgage or terms defined in the Mortgage are referred to, those provisions or definitions are incorporated by reference as part of the statements made in this prospectus and those statements are qualified in their entirety by that reference. Sections 125 through 150 of the Mortgage appear in the first supplemental mortgage. References to article and section numbers, unless otherwise indicated, are references to article and section numbers of the Mortgage.

The registered holder of a Bond will be treated as the owner of it for all purposes. Only registered holders will have rights under the Mortgage.

The applicable prospectus supplements will describe the following terms of the Bonds of each series:

- the title of the Bonds;
- any limit upon the aggregate principal amount of the Bonds;
- the date or dates on which the principal of the Bonds is payable or the method of determination thereof and the right, if any, to extend such date or dates;
- (a) the rate or rates at which the Bonds will bear interest, if any, or the method by which such rate or rates, if any, will be determined, (b) the date or dates from which any such interest will accrue, (c) the interest payment dates on which any such interest will be payable, (d) the right, if any, of Avista Corp. to defer or extend an interest payment date, (e) the regular record date for any interest payable on any interest payment date and (f) the person or persons to whom the interest on the Bonds will be payable on any interest payment date, if other than the person or persons in whose names the Bonds are registered at the close of business on the regular record date for such interest;
- any period or periods within which, or date or dates on which, the price or prices at which and the terms and conditions upon which the Bonds may be redeemed, in whole or in part, at the option of Avista Corp.;
- (a) the obligation or obligations, if any, of Avista Corp. to redeem or purchase any of the Bonds pursuant to any sinking fund or other mandatory redemption provisions or at the option of the Holder, (b) the period or periods within which, or date or dates on which, the price or prices at which and the terms and conditions upon which the Bonds will be redeemed or purchased, in whole or in part, pursuant to such obligation, and (c) applicable exceptions to the requirements of a notice of redemption in the case of mandatory redemption or redemption at the option of the Holder;

- the denominations in which any of the Bonds will be issuable if other than denominations of \$1,000 and any integral multiple of \$1,000;
- if the Bonds are to be issued in global form, the identity of the depositary; and
- any other terms of the Bonds.

Payment and Paying Agents

Except as may be provided in the applicable prospectus supplement, Avista Corp. will pay interest, if any, on each Bond on each interest payment date to the person in whose name such Bond is registered (for purposes of this section of the prospectus, the registered holder of any Mortgage Security is herein referred to as a “Holder”) as of the close of business on the regular record date relating to such interest payment date; provided, however, that Avista Corp. will pay interest at maturity (whether at stated maturity, upon redemption or otherwise, “Maturity”) to the person to whom principal is paid.

Unless otherwise specified in the applicable prospectus supplement, Avista Corp. will pay the principal of and premium, if any, and interest, if any, on the Bonds at Maturity upon presentation of the Bonds at the corporate trust office of Citibank, N.A. in New York, New York, as paying agent for Avista Corp. Avista Corp. may change the place of payment of the Bonds, may appoint one or more additional paying agents (including Avista Corp.) and may remove any paying agent, all at its discretion.

Registration and Transfer

The transfer of Bonds may be registered, and Bonds may be exchanged for other Bonds, upon surrender thereof at the principal office of Citibank N.A. which has been designated by Avista Corp. as its office or agency for such purposes. Avista Corp. may change such office or agency, and may designate an additional office or agency, in its discretion. No service charge will be made for any registration of transfer or exchange of Bonds, but Avista Corp. may require payment of a sum sufficient to cover any tax or other governmental charge incident thereto. Avista Corp. will not be required to make any transfer or exchange of any Bonds for a period of 10 days next preceding any selection of Bonds for redemption, nor will it be required to make transfers or exchanges of any Bonds which have been selected for redemption in whole or in part or as to which Avista Corp. shall have received a notice for the redemption thereof in whole or in part at the option of the owner.

Redemption

The applicable prospectus supplement will indicate the extent, if any, to which the Bonds will be subject to (a) general redemption at the option of Avista Corp. or (b) special redemption by the application (either at the option of Avista Corp. or pursuant to the requirements of the Mortgage) of (x) cash deposited with the Mortgage Trustee as described under “Special Provisions for Retirement of Bonds” below or (y) cash deposited with the Mortgage Trustee in connection with the release of property from the lien of the Mortgage.

Notice of redemption will be given by mail not less than 30 days prior to the date fixed for redemption. (Mortgage, Sec. 52)

If less than all the Bonds of a series are to be redeemed, the particular Bonds to be redeemed will be selected by the Mortgage Trustee by lot, according to such method as it shall deem proper in its discretion. (Mortgage, Sec. 52)

Any notice of redemption at the option of Avista Corp. may state that such redemption will be conditional upon receipt by the Mortgage Trustee, on or before the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Bonds and that if such money has not been so received, such notice will be of no force or effect and Avista Corp. will not be required to redeem such Bonds. (Mortgage, Sec. 52)

Issuance of Additional Mortgage Securities

In addition to the Bonds, other debt securities may be issued under the Mortgage. The present principal amount of debt securities which may be outstanding under the Mortgage is \$10,000,000,000. However, Avista Corp. has reserved the right to amend the Mortgage (without any consent of or other action of Holders of any bonds now or hereafter outstanding) to remove this limitation.

Mortgage Securities of any series may be issued from time to time on the basis of:

- 70% of cost or fair value to Avista Corp. (whichever is less) of property additions which have not previously been made the basis of any application under the Mortgage and therefore do not constitute funded property after adjustments to offset property retirements;
- an equal principal amount of Mortgage Securities which have been or are to be paid, redeemed or otherwise retired and have not previously been made the basis of any application under the Mortgage; or
- deposit of cash.

Property additions generally include electric, natural gas, steam or water property acquired after May 31, 1939, but may not include property used principally for the production or gathering of natural gas. Any such property additions may be used if their ownership and operation is within the corporate purposes of Avista Corp. regardless of whether or not Avista Corp. has all the necessary permission it may need at any time from governmental authorities to operate such property additions.

The Mortgage provides that no reduction in the book value of the property recorded in the plant account of Avista Corp. shall constitute a property retirement, otherwise than in connection with physical retirements of property abandoned, destroyed or disposed of, and otherwise than in connection with the removal of such property in its entirety from the plant account.

The Holders of the Bonds will be deemed to have consented to an amendment to the provision of the mortgage which requires that Avista Corp. deliver an opinion of counsel as to the status of the lien of the Mortgage on property additions being certified to the Mortgage Trustee. The amendment would permit us to deliver to the Mortgage Trustee, in lieu of such opinion, title insurance with respect to such property additions in an amount not less than 35% of the cost or fair value to Avista Corp. (whichever is less) of such property additions. Such amendment could not be made without the requisite consent of the Holders of outstanding bonds as described under “—Modification”.

No Mortgage Securities may be issued on the basis of property additions subject to prior liens, unless the prior lien bonds secured thereby have been qualified by being deducted from the Mortgage Securities otherwise issuable and do not exceed 70% of such property additions, and unless the Mortgage Securities then to be outstanding which have been issued against property subject to continuing prior liens and certain other items would not exceed 15% of the Mortgage Securities outstanding.

The amount of prior liens on mortgaged property acquired after the date of delivery of the Mortgage may be increased subsequent to the acquisition of such property provided that, if any property subject to such prior lien shall have been made the basis of any application under the Mortgage, all the additional obligation are deposited with the Mortgage Trustee or other holder of a prior lien.

(Mortgage, Secs. 4 through 8, 20 through 30 and 46; First Supplemental, Sec. 2; Eleventh Supplemental, Sec. 5; Twelfth Supplemental, Sec. 1; Fourteenth Supplemental, Sec. 4; Seventeenth Supplemental, Sec. 3; Eighteenth Supplemental, Secs. 1, 2 and 6; Twenty-sixth Supplemental, Sec. 2; Twenty-ninth Supplemental, Art. II)

Net Earnings Test

In general, Avista Corp. may not issue Mortgage Securities on the basis of property additions or cash unless net earnings for 12 consecutive months out of the preceding 18 calendar months (before income taxes, depreciation and amortization of property, property losses and interest on any indebtedness and amortization of debt discount and expense) are at least twice the annual interest requirements on all Mortgage Securities at the time outstanding, including the additional issue, and on all indebtedness of prior rank.

Avista Corp. is not required to satisfy the net earnings requirement prior to the issuance of Mortgage Securities on the basis of retired securities unless

- the annual requirements of the retired Mortgage Securities on the basis of which the Bonds are to be issued have been excluded from a net earnings certificate delivered to the Mortgage Trustee since the retirement of such Mortgage Securities or
- the retired Mortgage Securities on the basis of which the Bonds are to be issued mature by their terms at a date more than two years after the date for authentication and delivery of such Mortgage Securities and the Bonds bear interest at a higher rate than such retired Mortgage Securities.

In general, the Mortgage permits the inclusion of the following items in net earnings:

- revenues collected or accrued subject to possible refund;
- any portion of the allowance for funds used during construction; and
- any portion of the allowance for funds used to conserve energy (or any analogous amount), which is not included in “other income” (or any analogous item) in Avista Corp.’s books of account.

The Mortgage also provides that, in calculating net earnings, no deduction from revenues or other income shall be made for

- expenses or provisions for any non-recurring charge to income of whatever kind or nature (including without limitation the recognition of expense due to the non-recoverability of investment); or
- provisions for any refund of revenues previously collected or accrued subject to possible refund.

In general, the interest rate requirement with respect to variable interest rate indebtedness, if any, is determined by reference to the rate or rates to be in effect at the time of the initial issuance. However, if any Mortgage Securities or prior ranking indebtedness bears interest at a variable rate, the annual interest requirements thereon shall be determined by reference to the rate or rates in effect on the date next preceding the date of the new issue of Mortgage Securities.

Security; Structural Subordination

The Bonds, together with all other Mortgage Securities now or hereafter issued under the Mortgage, will be secured by the Mortgage, which constitutes a first mortgage lien on Avista Corp.’s facilities for the generation, transmission and distribution of electric energy and the storage and distribution of natural gas and substantially all of Avista Corp.’s assets (except as stated below), subject to

- leases of minor portions of Avista Corp.’s property to others for uses that do not interfere with Avista Corp.’s business;
- leases of certain property of Avista Corp. not used in its utility business;
- excepted encumbrances, as defined in the Mortgage; and
- encumbrances, defects and irregularities deemed immaterial by Avista Corp. in the operation of Avista Corp.’s business.

There are excepted from the lien all cash and securities (including without limitation securities issued by Avista Corp.'s subsidiaries); merchandise, equipment, materials or supplies held for sale or consumption in Avista Corp.'s operations; receivables, contracts, leases and operating agreements; electric energy, and other material or products (including gas) generated, manufactured, produced or purchased by Avista Corp., for sale, distribution or use in the ordinary course of its business. (Mortgage, Granting Clauses)

The Mortgage contains provisions for subjecting to the lien thereof all property (other than property of the kinds excepted from such lien) acquired by Avista Corp. after the execution and delivery thereof, subject to purchase money liens and liens existing thereon at the time of acquisition and, subject to limitations in the case of consolidation, merger or sale of substantially all of Avista Corp.'s assets. (Mortgage, Granting Clauses and Art. XV)

The Mortgage provides that the lien of the Mortgage shall not automatically attach to the properties of another corporation which shall have consolidated or merged with Avista Corp. in a transaction in which Avista Corp. shall be the surviving or resulting corporation. (Mortgage, Sec. 87)

The Mortgage provides that the Mortgage Trustee shall have a lien upon the mortgaged property, prior to the Mortgage Securities, for the payment of its reasonable compensation and expenses and for indemnity. (Mortgage, Secs. 92 and 97; First Supplemental, Art. XXV)

Although its utility operations are conducted directly by Avista Corp., all of the other operations of Avista Corp. are conducted through its subsidiaries. The lien of the Mortgage does not cover the assets of the subsidiaries or the securities of the subsidiaries held by Avista Corp. Any right of Avista Corp., as a shareholder, to receive assets of any of its direct or indirect subsidiaries upon such subsidiary's liquidation or reorganization (and the right of the holders of the Bonds and other creditors of Avista Corp. to participate in those assets) is junior to the claims against such assets of that subsidiary's creditors. As a result, the obligations of Avista Corp. to the holders of the Bonds and other creditors are effectively subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Avista Corp.'s direct and indirect subsidiaries.

At March 31, 2003, \$538.5 million of Mortgage Securities were outstanding. This amount included \$225 million of non-transferable Mortgage Securities which were issued in May 2002 to the agent bank under Avista Corp.'s primary credit facility in order to provide the benefit of the lien of the Mortgage to secure Avista Corp.'s obligations. The indebtedness under the credit facility (including the collateral bonds) are included in Avista Corp.'s short-term debt. On May 13, 2003, the Company entered into a new committed line of credit with various banks in the total amount of \$245.0 million for which \$245 million of non-transferable Mortgage Securities have been issued to secure Avista Corp.'s obligations. This committed line of credit, which expires on May 11, 2004, replaced the \$225.0 million committed line of credit described above, which would have expired on May 20, 2003, and, upon such replacement, the corresponding \$225 million of non-transferable Mortgage Securities were surrendered and retired.

Maintenance

The Mortgage provides that Avista Corp. will cause (or, with respect to property owned in common with others, make reasonable effort to cause) the mortgaged property to be maintained and kept in good repair, working order and condition, and will cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made such repairs, renewals and replacements of the mortgaged property as, in Avista Corp.'s sole judgment, may be necessary to operate the mortgaged property in accordance with common industry practice. Avista Corp. may discontinue, or cause or consent to the discontinuance of, the operation and maintenance of any of its properties if such discontinuance is, in the sole judgment of Avista Corp., desirable in the conduct of its business. (Mortgage, Sec. 38)

Special Provisions for Retirement of Bonds

If, during any 12-month period, any of the mortgaged property is taken by eminent domain and/or sold to any governmental, authority and/or sold pursuant to an order of a governmental authority, with the result that Avista Corp. receives \$15,000,000 or more in cash or in principal amount of purchase money obligations, Avista Corp. is required to apply such cash and the proceeds of such obligations (subject to certain conditions and deductions, and to the extent not otherwise applied) to the redemption of Mortgage Securities which are, by their, terms, redeemable before maturity by the application of such cash and proceeds. (Mortgage, Sec. 64; Tenth Supplemental, Sec. 4)

Release and Substitution of Property

Unless Avista Corp. is in default in the payment of the interest on any Mortgage Securities then outstanding under the Mortgage, or a Completed Default shall have occurred and is continuing, Avista Corp. may obtain the release from the lien of the Mortgage of any mortgaged property upon the deposit of cash equal to the amount, if any, that the fair value of the property to be released exceeds the aggregate of:

- (1) the principal amount of any obligations secured by purchase money mortgage upon the property released and delivered to the Mortgage Trustee;
- (2) the cost or fair value (whichever is less) of property additions which do not constitute funded property, after certain deductions and additions;
- (3) an amount equal to $\frac{10}{7}$ ths of the principal amount of Mortgage Securities that Avista Corp. would be entitled to issue on the basis of retired securities (with such entitlement being waived by operation of such release); and
- (4) the principal amount of obligations secured by purchase money mortgage upon the property released, and/or an amount in cash delivered to the Mortgage Trustee or other holder of a lien prior to the lien of the Mortgage.

The use of obligations secured by purchase money mortgage as a credit in connection with the release of property, as described in clauses (1) and (4) above, is subject to the following limitations:

- (1) the aggregate credit which may be used as described in clauses (1) and (4) above in respect of any property being released may not exceed 70% of the fair value of such property; and
- (2) the aggregate principal amount of such obligations described in (1) and (4) above and all other obligations secured by purchase money mortgage delivered to the Mortgage Trustee pursuant to said clauses (1) and (4) and then held as part of the mortgaged property by the Mortgage Trustee or the trustee or other holder of a prior lien shall not exceed 40% of the aggregate principal amount of outstanding Mortgage Securities.

To the extent that property so released does not constitute funded property, the property additions used to effect the release will not, in certain cases, be deemed to constitute funded property, and the waiver of the right to issue Mortgage Securities to effect the release will, in certain cases, cease to be effective as such a waiver, all upon the satisfaction of certain conditions specified in the Mortgage. The Mortgage contains similar provisions as to cash proceeds of such property. The Mortgage also contains special provisions with respect to prior lien bonds pledged, and disposition of moneys received on pledged bonds secured by prior lien. (Mortgage, Secs. 5; 31, 32, 46 through 50, 59, 60, 61, 118 and 134)

Modification

Modifications Without Consent

Avista Corp. and the Mortgage Trustee may enter into one or more supplemental indentures without the consent of any Holders for any of the following purposes:

- to evidence the succession of a successor trustee;

- to add additional covenants of Avista Corp. and additional defaults, which may be applicable only to the Mortgage Securities of specified series;
- to correct the description of property subject to the lien of the Mortgage or to subject additional property to such lien;
- to change or eliminate any provision of the Mortgage or to add any new provision to the Mortgage; provided, that no such change, elimination or addition shall adversely affect the interests of the Holders in any material respect;
- to establish the form or terms of Mortgage Securities of any series;
- to provide for procedures to utilize a non-certificated system of registration for all or any series of Mortgage Securities;
- to change any place or places for payment, registration of transfer or exchange, or notices to and demands upon Avista Corp., with respect to all or any series of Mortgage Securities;
- to increase or decrease the maximum principal amount of Mortgage Securities issuable under the Mortgage;
- to make any other changes which do not adversely affect interests of the Holders in any material respect; or
- to evidence any change required or permitted under the Trust Indenture Act of 1939, as amended.

(Mortgage, Sec. 120; Twenty-sixth Supplemental Indenture, Sec. 2; Twenty-ninth Supplemental Indenture, Article II)

Modification With Consent

In general, the Mortgage, the rights and obligations of Avista Corp. and the rights of the Holders may be modified with the consent of 60% in principal amount of the Mortgage Securities outstanding, and, if less than all series of Mortgage Securities are affected, the consent also of 60% in principal amount of the Mortgage Securities of each series affected. However, no modification of the terms of payment of principal or interest, and no modification affecting the lien or reducing the percentage required for modification, is effective against any Holder without its consent. (Mortgage, Art. XVIII, Sec. 149; First Supplemental, Sec. 10)

Satisfaction and Discharge

Mortgage Securities will be deemed to have been paid for purposes of satisfaction of the lien of the Mortgage if there shall have been irrevocably deposited with the Mortgage Trustee for the payment or redemption of such Mortgage Securities:

- money in an amount which will be sufficient,
- Government Obligations, none of which shall contain provisions permitting the redemption thereof at the option of the issuer thereof, the principal of and the interest on which when due, and without regard to reinvestment thereof, will provide moneys which will be sufficient, or
- a combination of money and Government Obligations which will be sufficient,

to pay when due the principal of, premium, if any, and interest due and to become due on all outstanding Mortgage Securities on the maturity date or redemption date of such Mortgage Securities. For this purpose, "Government Obligations" include direct obligations of the government of the United States or obligations guaranteed by the government of the United States. (Mortgage, Sec. 106)

The Mortgage Trustee may, and upon request of Avista Corp. shall, cancel and discharge the lien of the Mortgage and reconvey the Mortgaged Property to Avista Corp. whenever all indebtedness secured thereby has been paid.

The right of Avista Corp. to cause its entire indebtedness in respect of the Mortgage Securities of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of conditions specified in the instrument creating such series.

Completed Defaults

Any of the following events will constitute a "Completed Default" under the Mortgage:

- failure to pay principal of, or premium, if any, on any Mortgage Security when due;
- failure to pay interest on any Mortgage Security within sixty (60) days after the same becomes due;
- failure to pay interest on, or principal of, any qualified prior lien bonds beyond any grace period specified in the prior lien securing such prior lien bond;
- certain events relating to bankruptcy, insolvency or reorganization of Avista Corp.; and
- failure to perform, or breach of any other covenants of Avista Corp. for a period of 90 days after notice to the Company from the Mortgage Trustee.

The Mortgage Trustee may withhold notice of default (except in payment of principal, interest or funds for retirement of Mortgage Securities) if it determines that it is in the interest of the Holders. (Mortgage, Secs. 44, 65 and 135)

Remedies

Acceleration of Maturity

If a Completed Default occurs and is continuing, the Mortgage Trustee may, and upon written request of the Holders of a majority in principal amount of Mortgage Securities then outstanding shall, declare the principal of, and accrued interest on, all outstanding Mortgage Securities immediately due and payable; provided however, that the Holders of a majority in principal amount of outstanding Mortgage Securities may annul such declaration if before any sale of the mortgaged property:

- all agreements with respect to which default shall have been made shall be fully performed or otherwise cured; and
- all overdue interest and all reasonable expenses of the Mortgage Trustee, its agents and attorneys shall have been paid by Avista Corp., except for the principal of any Mortgage Securities that would not have been due except for the acceleration provided for herein.

(Mortgage, Sec. 65)

Possession of Mortgaged Property

Under certain circumstances and to the extent permitted by law, if a Completed Default occurs and is continuing, the Mortgage Trustee has the power to take possession of, and to hold, operate and manage, the mortgaged property, or with or without entry, sell the mortgaged property. If the mortgaged property is sold, whether by the Mortgage Trustee or pursuant to judicial proceedings, the principal of the outstanding Mortgage Securities, if not previously due, will become immediately due. (Mortgage, Secs. 66, 67 and 71)

Right to Direct Proceedings

If a Completed Default occurs and is continuing, the Holders of a majority in principal amount of the Mortgage Securities then outstanding will have the right to direct the time, method and place of conducting any proceedings to be taken for any sale of the mortgaged property, the foreclosure of the Mortgage, or for the appointment of a receiver or any other proceeding under the Mortgage, provided that such direction does not conflict with any rule of law or with the Mortgage. (Mortgage, Sec. 69)

No Impairment of Right to Receive Payment

Notwithstanding any other provision of the Mortgage, the right of any Holder to receive payment of the principal of and interest on such bond, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such Holder. (Mortgage, Sec. 148)

Notice of Default

No Holder may enforce the lien of the Mortgage unless such Holder shall have given the Mortgage Trustee written notice of a Completed Default and unless the Holders of 25% in principal amount of the Mortgage Securities have requested the Mortgage Trustee in writing to act and have offered the Mortgage Trustee adequate security and indemnity and a reasonable opportunity to act. (Mortgage, Sec. 79)

Remedies Limited by State Law

The laws of the various states in which the property subject to the lien of the Mortgage is located may limit or deny the ability of the Mortgage Trustee and/or the Holders to enforce certain rights and remedies provided in the Mortgage in accordance with their terms.

Concerning the Mortgage Trustee

The Mortgage Trustee has, and is subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act of 1939, as amended. Subject to such provisions, the Mortgage Trustee is not under any obligation to take any action in respect of any default or otherwise, or toward the execution or enforcement of any of the trusts created by the Mortgage, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing so to do by the Holders of a majority in principal amount of the bonds then outstanding. Anything in the Mortgage to the contrary notwithstanding, the Mortgage Trustee is under no obligation or duty to perform any act thereunder (other than the delivery of notices) or to institute or defend any suit in respect hereof, unless properly indemnified to its satisfaction. (Mortgage, Sec. 92)

The Mortgage Trustee may at any time resign and be discharged of the trusts created by the Mortgage by giving written notice to Avista Corp. and thereafter publishing notice thereof, specifying a date when such resignation shall take effect, as provided in the Mortgage, and such resignation shall take effect upon the day specified in such notice unless a successor trustee shall have previously been appointed by the Holders or Avista Corp. and in such event such resignation shall take effect immediately upon the appointment of such successor trustee. The Mortgage Trustee may be removed at any time by the Holders of a majority in principal amount of the bonds then outstanding. (Mortgage, Secs. 100 and 101)

If Avista Corp. appoints a successor trustee and such successor trustee has accepted the appointment, the Mortgage Trustee will be deemed to have resigned as of the date of such successor trustee's acceptance. (Mortgage, Sec. 102)

Evidence of Compliance with Mortgage Provisions

Compliance with provisions of the Mortgage is evidenced by written statements of Avista Corp.'s officers or persons selected or paid by Avista Corp. In certain matters, statements must be made by an independent accountant or engineer. Various certificates and other papers are required to be filed annually and upon the happening of certain events, including an annual certificate with reference to compliance with the terms of the Mortgage and absence of Completed Defaults.

DESCRIPTION OF THE NOTES

Avista Corp. may issue the Notes in one or more series, or in one or more tranches within a series, under the Indenture. The terms of the Notes will include those stated in the Indenture and those made part of the Indenture by the Trust Indenture Act. The following summary is not complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Indenture and the Trust Indenture Act. The Notes, together with all other debt securities outstanding under the Indenture, are hereinafter called, collectively, the "Indenture Securities". Avista Corp. has filed the Indenture, as well as a form of officer's certificate to establish a series of Notes, as exhibits to the registration statement of which this prospectus is a part. Capitalized terms used under this heading which are not otherwise defined in this prospectus have the meanings set forth in the Indenture. Wherever particular provisions of the Indenture or terms defined in the Indenture are referred to, those provisions or definitions are incorporated by reference as part of the statements made in this prospectus and those statements are qualified in their entirety by that reference. References to article and section numbers, unless otherwise indicated, are references to article and section numbers of the Indenture.

The applicable prospectus supplement or prospectus supplements will describe the following terms of the Notes of each series or tranche:

- the title of the Notes;
- any limit upon the aggregate principal amount of the Notes;
- the date or dates on which the principal of the Notes is payable or the method of determination thereof and the right, if any, to extend such date or dates;
- (a) the rate or rates at which the Notes will bear interest, if any, or the method by which such rate or rates, if any, will be determined, (b) the date or dates from which any such interest will accrue, (c) the interest payment dates on which any such interest will be payable, (d) the right, if any, of Avista Corp. to defer or extend an interest payment date, (e) the regular record date for any interest payable on any interest payment date and (f) the person or persons to whom interest on the Notes will be payable on any interest payment date, if other than the person or persons in whose names the Notes are registered at the close of business on the regular record date for such interest;
- any period or periods within which, or date or dates on which, the price or prices at which and the terms and conditions upon which the Notes may be redeemed, in whole or in part, at the option of Avista Corp.;
- (a) the obligation or obligations, if any, of Avista Corp. to redeem or purchase any of the Notes pursuant to any sinking fund or other mandatory redemption provisions or at the option of the Holder, (b) the period or periods within which, or date or dates on which, the price or prices at which and the terms and conditions upon which the Notes will be redeemed or purchased, in whole or in part, pursuant to such obligation, and (c) applicable exceptions to the requirements of a notice of redemption in the case of mandatory redemption or redemption at the option of the Holder;
- the denominations in which any of the Notes will be issuable if other than denominations of \$1,000 and any integral multiple of \$1,000;
- if the Notes are to be issued in global form, the identity of the depository; and
- any other terms of the Notes.

Payment and Paying Agents

Except as may be provided in the applicable prospectus supplement, Avista Corp. will pay interest, if any, on each Note on each interest payment date to the person in whose name such Note is registered (for the purposes of this section of the prospectus, the registered holder of any Indenture Security is herein referred to as a

“Holder”) as of the close of business on the regular record date relating to such interest payment date; provided, however, that Avista Corp. will pay interest at maturity (whether at stated maturity, upon redemption or otherwise, “Maturity”) to the person to whom principal is paid. However, if there has been a default in the payment of interest on any Note, such defaulted interest may be payable to the Holder of such Note as of the close of business on a date selected by the Indenture Trustee which is not more than 30 days and not less than 10 days before the date proposed by Avista Corp. for payment of such defaulted interest or in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Note may be listed, if the Indenture Trustee deems such manner of payment practicable. (Indenture, Sec. 307)

Unless otherwise specified in the applicable prospectus supplement, Avista Corp. will pay the principal of and premium, if any, and interest, if any, on the Notes at Maturity upon presentation of the Notes at the corporate trust office of JPMorgan Chase Bank in New York, New York, as paying agent for Avista Corp. Avista Corp. may change the place of payment of the Notes, may appoint one or more additional paying agents (including Avista Corp.) and may remove any paying agent, all at its discretion. (Indenture, Sec. 502)

Registration and Transfer

Unless otherwise specified in the applicable prospectus supplement, Holders may register the transfer of Notes, and may exchange Notes for other Notes of the same series and tranche, of authorized denominations and having the same terms and aggregate principal amount, at the corporate trust office of JPMorgan Chase Bank in New York, New York, as security registrar for the Notes. Avista Corp. may change the place for registration of transfer and exchange of the Notes, may appoint one or more additional security registrars (including Avista Corp.) and may remove any security registrar, all at its discretion. (Indenture, Sec. 502)

Except as otherwise provided in the applicable prospectus supplement, no service charge will be made for any transfer or exchange of the Notes, but Avista Corp. may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of the Notes. Avista Corp. will not be required to execute or to provide for the registration of transfer or the exchange of (a) any Note during a period of 15 days before giving any notice of redemption or (b) any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part. (Indenture, Sec. 305)

Redemption

The applicable prospectus supplement will set forth any terms for the optional or mandatory redemption of Notes. Except as otherwise provided in the applicable prospectus supplement with respect to Notes redeemable at the option of the Holder, Notes will be redeemable by Avista Corp. only upon notice by mail not less than 30 nor more than 60 days before the date fixed for redemption. If less than all the Notes of a series, or any tranche thereof, are to be redeemed by Avista Corp., the particular Notes to be redeemed will be selected by such method as shall be provided for such series or tranche, or in the absence of any such provision, by such method of random selection as the Security Registrar deems fair and appropriate. (Indenture, Secs. 403 and 404)

Any notice of redemption at the option of Avista Corp. may state that such redemption will be conditional upon receipt by the paying agent or agents, on or before the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Notes and that if such money has not been so received, such notice will be of no force or effect and Avista Corp. will not be required to redeem such Notes. (Indenture, Sec. 404)

Unsecured Obligations; Structural Subordination

The Indenture is not a mortgage or other lien on assets of the Company or its subsidiaries. In addition to the Notes, other debt securities may be issued under the Indenture, without any limit on the aggregate principal

amount. Each series of Indenture Securities will be unsecured and will rank pari passu with all other series of Indenture Securities, except as otherwise provided in the Indenture, and with all other unsecured and unsubordinated indebtedness of Avista Corp. Except as otherwise described in the applicable prospectus supplement, the Indenture does not limit the incurrence or issuance by Avista Corp. of other secured or unsecured debt, whether under the Indenture, under any other indenture that Avista Corp. may enter into in the future or otherwise.

Although its utility operations are conducted directly by Avista Corp., all of the other operations of Avista Corp. are conducted through its subsidiaries. Any right of Avista Corp., as a shareholder, to receive assets of any of its direct or indirect subsidiaries upon the subsidiary's liquidation or reorganization (and the right of the Holders and other creditors of Avista Corp. to participate in those assets) is junior to the claims against such assets of that subsidiary's creditors. As a result, the obligations of Avista Corp. to the Holders and other creditors are effectively subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Avista Corp.'s direct and indirect subsidiaries.

Satisfaction And Discharge

Any Indenture Securities, or any portion of the principal amount thereof, will be deemed to have been paid for purposes of the Indenture and, at Avista Corp.'s election, the entire indebtedness of Avista Corp. in respect thereof will be deemed to have been satisfied and discharged, if there shall have been irrevocably deposited in trust with the Indenture Trustee or any paying agent (other than Avista Corp.):

- (a) money in an amount which will be sufficient, or
- (b) in the case of a deposit made before the maturity of such Indenture Securities, Eligible Obligations, which do not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Indenture Trustee or such Paying Agent, will be sufficient, or
- (c) a combination of (a) and (b) which will be sufficient,

to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Indenture Securities. For this purpose, Eligible Obligations include direct obligations of, or obligations unconditionally guaranteed by, the United States, entitled to the benefit of the full faith and credit thereof and certificates, depositary receipts or other instruments which evidence a direct ownership interest in such obligations or in any specific interest or principal payments due in respect thereof and such other obligations or instruments as shall be specified in an accompanying prospectus supplement. (Indenture, Sec. 601)

The right of Avista Corp. to cause its entire indebtedness in respect of the Indenture Securities of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of conditions specified in the instrument creating such series.

The Indenture will be deemed to have been satisfied and discharged when no Indenture Securities remain outstanding thereunder and Avista Corp. has paid or caused to be paid all other sums payable by Avista Corp. under the Indenture. (Indenture, Sec. 602)

Events of Default

Any one or more of the following events with respect to a series of Indenture Securities that has occurred and is continuing will constitute an "Event of Default" with respect to such series of Indenture Securities:

- failure to pay interest on any Indenture Security of such series within 60 days after the same becomes due and payable; provided, however, that no such failure shall constitute an Event of Default if Avista Corp. has made a valid extension of the interest payment period with respect to the Indenture Securities of such series if so provided with respect to such series;

- failure to pay the principal of or premium, if any, on any Indenture Security of such series within 3 business days after its Maturity; provided, however, that no such failure will constitute an Event of Default if Avista Corp. has made a valid extension of the Maturity of the Indenture Securities of such series, if so provided with respect to such series;
- failure to perform, or breach of, any covenant or warranty of Avista Corp. contained in the Indenture for 90 days after written notice to Avista Corp. from the Indenture Trustee or to Avista Corp. and the Indenture Trustee by the Holders of at least 25% in principal amount of the outstanding Indenture Securities of such series as provided in the Indenture unless the Indenture Trustee, or the Indenture Trustee and the Holders of a principal amount of Indenture Securities of such series not less than the principal amount of Indenture Securities the Holders of which gave such notice, as the case may be, agree in writing to an extension of such period before its expiration; provided, however, that the Indenture Trustee, or the Indenture Trustee and the Holders of such principal amount of Indenture Securities of such series, as the case may be, will be deemed to have agreed to an extension of such period if corrective action is initiated by Avista Corp. within such period and is being diligently pursued;
- default under any bond, debenture, note or other evidence of indebtedness of Avista Corp. for borrowed money (including Indenture Securities of other series) or under any mortgage, indenture, or other instrument to evidence any indebtedness of Avista Corp. for borrowed money, which default (1) constitutes a failure to make any payment in excess of \$5,000,000 of the principal of, or interest on, such indebtedness or (2) has resulted in such indebtedness in an amount in excess of \$10,000,000 becoming or being declared due and payable prior to the date it would otherwise have become due and payable, without such payment having been made, such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 90 days after written notice to Avista Corp. by the Indenture Trustee or to Avista Corp. and the Indenture Trustee by the Holders of at least 25% in principal amount of the outstanding Securities of such series as provided in the Indenture; or
- certain events in bankruptcy, insolvency or reorganization of Avista Corp. (Indenture, Sec. 701)

Remedies

Acceleration of Maturity

If an Event of Default applicable to the Indenture Securities of any series occurs and is continuing, then either the Indenture Trustee or the Holders of not less than 33% in aggregate principal amount of the outstanding Indenture Securities of such series may declare the principal amount (or, if any of the outstanding Indenture Securities of such series are Discount Securities, such portion of the principal amount thereof as may be specified in the terms thereof) of all of the outstanding Indenture Securities of such series to be due and payable immediately by written notice to Avista Corp. (and to the Indenture Trustee if given by the Holders); provided, however, that if an Event of Default occurs and is continuing with respect to more than one series of Indenture Securities, the Indenture Trustee or the Holders of not less than 33% in aggregate principal amount of the outstanding Indenture Securities of all such series, considered as one class, may make such declaration of acceleration and not the Holders of any one such series.

At any time after such a declaration of acceleration with respect to the Indenture Securities of any series has been made, but before a judgment or decree for payment of the money due has been obtained, such declaration and its consequences will, without further act, be deemed to have been rescinded and annulled, if

- Avista Corp. has paid or deposited with the Indenture Trustee a sum sufficient to pay
 - all overdue interest, if any, on all Indenture Securities of such series;
 - the principal of and premium, if any, on any Indenture Securities of such series which have become due otherwise than by such declaration of acceleration and interest, if any, thereon at the rate or rates prescribed therefor in such Indenture Securities;

- interest, if any, upon overdue interest, if any, at the rate or rates prescribed therefor in such Indenture Securities, to the extent that payment of such interest is lawful; and
- all amounts due to the Indenture Trustee under the Indenture in respect of compensation and reimbursement of expenses; and
- all Events of Default with respect to Indenture Securities of such series, other than the non-payment of the principal of the Indenture Securities of such series which has become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture. (Indenture, Sec. 702)

Right to Direct Proceedings

If an Event of Default with respect to the Indenture Securities of any series occurs and is continuing, the Holders of a majority in principal amount of the outstanding Indenture Securities of such series will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Indenture Trustee in exercising any trust or power conferred on the Indenture Trustee; provided, however, that if an Event of Default occurs and is continuing with respect to more than one series of Indenture Securities, the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all such series, considered as one class, will have the right to make such direction, and not the Holders of any one of such series; and provided, further, that (a) such direction does not conflict with any rule of law or with the Indenture, and could not involve the Indenture Trustee in personal liability in circumstances where indemnity would not, in the Indenture Trustee's sole discretion, be adequate and (b) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee which is not inconsistent with such direction. (Indenture, Sec. 712)

Limitation on Right to Institute Proceedings

No Holder will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture or for the appointment of a receiver or for any other remedy thereunder unless:

- such Holder has previously given to the Indenture Trustee written notice of a continuing Event of Default with respect to the Indenture Securities of any one or more series;
- the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all series in respect of which such Event of Default has occurred, considered as one class, have made written request to the Indenture Trustee to institute proceedings in respect of such Event of Default and have offered the Indenture Trustee reasonable indemnity against costs and liabilities to be incurred in complying with such request; and
- for 60 days after receipt of such notice, the Indenture Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the Indenture Trustee during such 60 day period by the Holders of a majority in aggregate principal amount of Indenture Securities then outstanding.

Furthermore, no Holder of any series of Indenture Securities will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other Holders of such series. (Indenture, Sec. 707)

No Impairment of Right to Receive Payment

Notwithstanding that the right of a Holder to institute a proceeding with respect to the Indenture is subject to certain conditions precedent, each Holder will have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and interest, if any, on such Indenture Security when due and to institute suit for the enforcement of any such payment. Such rights may not be impaired or affected without the consent of such Holder. (Indenture, Sec. 708)

Notice of Default

The Indenture Trustee is required to give the Holders notice of any default under the Indenture to the extent required by the Trust Indenture Act, unless such default shall have been cured or waived, except that no such notice to Holders of a default of the character described in the third bulleted paragraph under “- Events of Default” may be given until at least 75 days after the occurrence thereof. For purposes of the preceding sentence, the term “default” means any event which is, or after notice or lapse of time, or both, would become, an Event of Default. The Trust Indenture Act currently permits the Indenture Trustee to withhold notices of default (except for certain payment defaults) if the Indenture Trustee in good faith determines the withholding of such notice to be in the interests of the Holders. (Indenture, Sec. 802)

Consolidation, Merger, Sale of Assets and Other Transactions

Avista Corp. may not consolidate with or merge into any other Person, or convey or otherwise transfer, or lease, all of its properties, as or substantially as an entirety, to any Person, unless:

- the Person formed by such consolidation or into which Avista Corp. is merged or the Person which acquires by conveyance or other transfer, or which leases (for a term extending beyond the last Stated Maturity of the Indenture Securities then outstanding), all of the properties of Avista Corp., as or substantially as an entirety, shall be a Person organized and existing under the laws of the United States, any State or Territory thereof or the District of Columbia or under the laws of Canada or any Province thereof; and
- such Person shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest, if any, on all the Indenture Securities then outstanding and the performance and observance of every covenant and condition of the Indenture to be performed or observed by Avista Corp.

In the case of the conveyance or other transfer of all of the properties of Avista Corp., as or substantially as an entirety, to any person as contemplated above, Avista Corp. would be released and discharged from all obligations under the Indenture and on all Indenture Securities then outstanding unless Avista Corp. elects to waive such release and discharge. Upon any such consolidation or merger or any such conveyance or other transfer of properties of Avista Corp., the successor, transferee or lessee would succeed to, and be substituted for, and would be entitled to exercise every power and right of, Avista Corp. under the Indenture. (Indenture, Secs. 1001, 1002 and 1003)

For purposes of the Indenture, the conveyance, transfer or lease by Avista Corp. of all of its facilities (a) for the generation of electric energy, (b) for the transmission of electric energy, (c) for the distribution of electric energy and/or natural gas, in each case considered alone, (d) all of its facilities described in clauses (a) and (b), considered together, or (e) all of its facilities described in clauses (b) and (c), considered together, will in no event be deemed to constitute a conveyance or other transfer of all the properties of Avista Corp., as or substantially as an entirety, unless, immediately following such conveyance, transfer or lease, Avista Corp. owns no unleased properties in the other such categories of property not so conveyed or otherwise transferred or leased.

The Indenture will not prevent or restrict:

- any consolidation or merger after the consummation of which Avista Corp. would be the surviving or resulting entity or
- any conveyance or other transfer, or lease, of any part of the properties of Avista Corp. which does not constitute the entirety, or substantially the entirety, thereof. (Indenture, Sec. 1004)

If Avista Corp. conveys or otherwise transfers any part of its properties which does not constitute the entirety, or substantially the entirety, thereof to another Person meeting the requirements set forth in the first paragraph under this heading, and if:

- such transferee expressly assumes the due and punctual payment of the principal of and premium, if any, and interest, if any, on all Indenture Securities then outstanding and the performance and observance of every covenant and condition of the Indenture to be performed or observed by Avista Corp. and
- there is delivered to the Indenture Trustee an independent expert's certificate (i) describing the property so conveyed or transferred and identifying the same as facilities for the generation, transmission or distribution of electric energy or for the storage, transportation or distribution of natural gas and (ii) stating that the aggregate principal amount of the Indenture Securities then outstanding does not exceed 70% of the fair value of such property,

then Avista Corp. would be released and discharged from all obligations and covenants under the Indenture and on all Indenture Securities then outstanding unless Avista Corp. elects to waive such release and discharge. In such event, the transferee would succeed to, and be substituted for, and would be entitled to exercise every right and power of, Avista Corp. under the Indenture. (Indenture, Sec. 1005)

Modification of Indenture

Modifications Without Consent

Avista Corp. and the Indenture Trustee may enter into one or more supplemental indentures, without the consent of any Holders, for any of the following purposes:

- to evidence the succession of another Person to Avista Corp. and the assumption by any such successor of the covenants of Avista Corp. in the Indenture and in the Indenture Securities;
- to add one or more covenants of Avista Corp. or other provisions for the benefit of all Holders or for the benefit of the Holders of, or to remain in effect only so long as there shall be outstanding, Indenture Securities of one or more specified series, or one or more Tranches thereof, or to surrender any right or power conferred upon Avista Corp. by the Indenture;
- to change or eliminate any provisions of the Indenture or to add any new provisions to the Indenture, provided that if such change, elimination or addition adversely affects the interests of the Holders of the Indenture Securities of any series or Tranche in any material respect, such change, elimination or addition will become effective with respect to such series or Tranche only when no Indenture Security of such series or Tranche remains outstanding;
- to provide collateral security for the Indenture Securities or any series thereof;
- to establish the form or terms of the Indenture Securities of any series or Tranche as permitted by the Indenture;
- to provide for the authentication and delivery of bearer securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and the solicitation of the vote or consent of, the Holders thereof, and for any and all other matters incidental thereto;
- to evidence and provide for the acceptance of appointment by a successor trustee with respect to the Indenture Securities of one or more series;
- to provide for the procedures required to permit the utilization of a non-certificated system of registration for all, or any series or Tranche of, the Indenture Securities; or
- to change any place or places where (a) the principal of and premium, if any, and interest, if any, on all or any series of Indenture Securities, or any Tranche thereof, will be payable, (b) all or any series of

Indenture Securities, or any Tranche thereof, may be surrendered for registration of transfer, (c) all or any series of Indenture Securities, or any Tranche thereof, may be surrendered for exchange and (d) notices and demands to or upon Avista Corp. in respect of all or any series of Indenture Securities, or any Tranche thereof, and the Indenture may be served; or

- to cure any ambiguity, to correct or supplement any provision therein which may be defective or inconsistent with any other provision therein, to make any other changes to the provisions thereof or to add any other provisions with respect to matters and questions arising under the Indenture, so long as such other changes or additions do not adversely affect the interests of the Holders of any series or Tranche in any material respect.

Without limiting the generality of the foregoing, if the Trust Indenture Act is amended after the date of the Original Indenture in such a way as to require changes to the Indenture or the incorporation therein of additional provisions or so as to permit changes to, or the elimination of, provisions which, at the date of the Original Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the Indenture, the Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and Avista Corp. and the Indenture Trustee may, without the consent of any Holders, enter into one or more supplemental indentures to evidence or effect such amendment. (Indenture, Sec. 1101)

Modifications Requiring Consent

Except as provided above, the consent of the Holders of a majority in aggregate principal amount of the Indenture Securities of all series then outstanding, considered as one class is required for the purpose of adding any provisions to, or changing in any manner, or eliminating any of the provisions of, the Indenture pursuant to one or more supplemental indentures; provided, however, that if less than all of the series of Indenture Securities outstanding are directly affected by a proposed supplemental indenture, then the consent only of the Holders of a majority in aggregate principal amount of outstanding Indenture Securities of all series so directly affected, considered as one class, will be required; and provided, further, that if the Indenture Securities of any series have been issued in more than one Tranche and if the proposed supplemental indenture directly affects the rights of the Holders of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all Tranches so directly affected, considered as one class, will be required; and provided, further, that no such amendment or modification may:

- change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Indenture Security other than pursuant to the terms thereof, or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of any Discount Security that would be due and payable upon a declaration of acceleration of Maturity or change the coin or currency (or other property) in which any Indenture Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity of any Indenture Security (or, in the case of redemption, on or after the redemption date) without, in any such case, the consent of the Holder of such Indenture Security;
- reduce the percentage in principal amount of the outstanding Indenture Securities of any series, or any Tranche thereof, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with any provision of the Indenture or of any default thereunder and its consequences;
- reduce the requirements for quorum or voting, without, in any such case, the consent of the Holder of each outstanding Indenture Security of such series or Tranche; or
- modify certain of the provisions of the Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the Indenture Securities of any series, or any Tranche thereof, without the consent of the Holder of each outstanding Indenture Security of such series or Tranche.

A supplemental indenture which changes or eliminates any covenant or other provision of the Indenture which has expressly been included solely for the benefit of the Holders of, or which is to remain in effect only so long as there shall be outstanding, Indenture Securities of one or more specified series, or one or more Tranches thereof, or modifies the rights of the Holders of such series or Tranche with respect to such covenant or other provision, will be deemed not to affect the rights under the Indenture of the Holders of any other series or Tranche.

If the supplemental indenture or other document establishing any series or Tranche of Indenture Securities so provides, and as specified in the applicable prospectus supplement and/or pricing supplement, the Holders of such Indenture Securities will be deemed to have consented, by virtue of their purchase of such Indenture Securities, to a supplemental indenture containing the additions, changes or eliminations to or from the Indenture which are specified in such supplemental indenture or other document. No Act of such Holders will be required to evidence such consent and such consent may be counted in the determination of whether the Holders of the requested principal amount of Indenture Securities have consented to such supplemental indenture. (Indenture, Sec. 1102)

Duties of the Indenture Trustee; Resignation; Removal

The Indenture Trustee will have, and will be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to such provisions, the Indenture Trustee will be under no obligation to exercise any of the powers vested in it by the Indenture at the request of any Holder, unless such Holder offers it reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby. The Indenture Trustee will not be required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it. (Indenture, Secs. 801 and 803)

The Indenture Trustee may resign at any time with respect to the Indenture Securities of one or more series by giving written notice thereof to Avista Corp. or may be removed at any time with respect to the Indenture Securities of one or more series by Act of the Holders of a majority in principal amount of the outstanding Indenture Securities of such series delivered to the Indenture Trustee and Avista Corp. No resignation or removal of the Indenture Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the Indenture. So long as no Event of Default or event which, after notice or lapse of time, or both, would become an Event of Default has occurred and is continuing, if Avista Corp. has delivered to the Indenture Trustee with respect to one or more series a resolution of its Board of Directors appointing a successor trustee with respect to that or those series and such successor has accepted such appointment in accordance with the terms of the Indenture, the Indenture Trustee with respect to that or those series will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the Indenture. (Indenture, Sec. 810)

Evidence of Compliance

Compliance with the Indenture provisions is evidenced by written statements of Avista Corp. officers or persons selected or paid by Avista Corp. In certain cases, Avista Corp. must furnish opinions of counsel and certifications of an engineer, appraiser or other expert (who in some cases must be independent). In addition, the Indenture requires that Avista Corp. give the Indenture Trustee, not less than annually, a brief statement as to Avista Corp.'s compliance with the conditions and covenants under the Indenture.

Governing Law

The Indenture and the Indenture Securities will be governed by and construed in accordance with the laws of the State of New York, except to the extent that the Trust Indenture Act of 1939, as amended, shall be applicable.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended. Avista Corp. files annual, quarterly and special reports, proxy statements and other documents with the SEC (File No. 1-3701). These documents contain important business and financial information. You may read and copy any materials Avista Corp. files with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Avista Corp.'s SEC filings are also available to the public from the SEC's website at <http://www.sec.gov>. However, information on this website does not constitute a part of this prospectus.

Incorporation of Documents by Reference

The SEC allows us to incorporate by reference the information that we file with the SEC. This allows us to disclose important information to you by referring you to those documents rather than repeating them in full in this prospectus. We are incorporating into this prospectus by reference:

- Avista Corp.'s most recent Annual Report on Form 10-K filed with the SEC pursuant to the Exchange Act and
- all other documents filed by Avista Corp. with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the filing of Avista Corp.'s most recent Annual Report and prior to the termination of the offering made by this prospectus,

and all of those documents are deemed to be a part of this prospectus from the date of filing such documents. We refer to the documents incorporated into this prospectus by reference as the "Incorporated Documents". Any statement contained in an Incorporated Document may be modified or superseded by a statement in this prospectus (if such Incorporated Document was filed prior to the date of this prospectus) in any prospectus supplement or in any subsequently filed Incorporated Document. The Incorporated Documents as of the date of this prospectus are:

- Annual Report on Form 10-K for the year ended December 31, 2002;
- Quarterly Report on Form 10-Q for the quarter ended March 31, 2003; and
- Current Report on Form 8-K, filed on April 11, 2003.

You may request any of these filings, at no cost, by contacting us at the address or telephone number provided on page 2 of this prospectus. Avista Corp. maintains an Internet site at <http://www.avistacorp.com> which contains information concerning Avista Corp. and its affiliates. The information contained at Avista Corp.'s Internet site is not incorporated in this prospectus by reference and you should not consider it a part of this prospectus.

PLAN OF DISTRIBUTION

Avista Corp. may sell the Debt Securities in any of four ways: (a) directly to a limited number of institutional purchasers or to a single purchaser, (b) through agents, (c) through underwriters or (d) through dealers. The applicable prospectus supplement relating to each series of Debt Securities will set forth the terms of the offering of such Debt Securities, including the name or names of any such agents, underwriters or dealers, the purchase price of such Debt Securities and the net proceeds to Avista Corp. from such sale, any underwriting discounts and other items constituting underwriters' compensation, the initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If Avista Corp. uses underwriters to sell Debt Securities, the underwriters will acquire such Debt Securities for their own account and may resell them in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Unless otherwise set forth in the prospectus supplement relating to a series of Debt Securities, the obligations of any underwriter or underwriters to purchase such Debt Securities will be subject to certain conditions precedent, and such underwriter or underwriters will be obligated to purchase all of such Debt Securities if any are purchased, except that, in certain cases involving a default by one or more underwriters, less than all of such Debt Securities may be purchased.

If an agent of Avista Corp. is used in any sale of a series of Debt Securities, any commissions payable by Avista Corp. to such agent will be set forth in the applicable prospectus supplement relating to such Debt Securities. Unless otherwise indicated in the applicable prospectus supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

Any underwriters, dealers or agents participating in the distribution of the Debt Securities may be deemed to be underwriters, and any discounts or commissions received by them on the sale or resale of Debt Securities may be deemed to be underwriting discounts and commissions, under the Securities Act of 1933, as amended (the "Securities Act"). Agents, underwriters and dealers may be entitled under agreements entered into with Avista Corp. to indemnification by Avista Corp. against certain liabilities, including liabilities under the Securities Act.

The agents, underwriters and dealers and/or certain of their affiliates may engage in transactions with and perform services for Avista Corp. and certain of its affiliates in the ordinary course of business.

LEGAL MATTERS

The validity of the Debt Securities and certain other matters of New York law and matters of federal securities law will be passed upon for Avista Corp. by Dewey Ballantine LLP, counsel to Avista Corp. The authorization of the Debt Securities by Avista Corp. and certain other matters of Washington law, as well as the authorization of the Debt Securities by the public utility regulatory commissions under Washington, Idaho, Montana, Oregon and California law, will be passed upon for Avista Corp. by Heller Ehrman White & McAuliffe LLP, counsel for Avista Corp. The validity of the Debt Securities will be passed upon for any underwriters or agents by Sullivan & Cromwell LLP. In giving their opinions Dewey Ballantine LLP and Sullivan & Cromwell LLP may assume the conclusions of Washington, California, Idaho, Montana and Oregon law set forth in the opinion of Heller Ehrman White & McAuliffe LLP.

EXPERTS

The financial statements and the related financial statement schedules incorporated in this Prospectus by reference from Avista Corp.'s most recent Annual Report on Form 10-K have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

PART II

Item 14. Other Expenses of Issuance and Distribution (estimated).

The expenses in connection with the issuance and distribution of the securities being registered are estimated as follows:

Filing fee – Securities and Exchange Commission	\$ 728
Fees of state regulatory authorities	1,000
Legal counsel fees	400,000
Trustees' fees	10,000
Auditors' fees	25,000
Fees of rating agencies	70,000
Printing expenses	150,000
Miscellaneous expenses	68,272
	<hr/>
Total Estimated Expenses	\$ 725,000

Item 15. Indemnification of Directors and Officers.

Article Seventh of the Registrant's Restated Articles of Incorporation ("Articles") provides, in part, as follows:

"The Corporation shall, to the full extent permitted by applicable law, as from time to time in effect, indemnify any person made a party to, or otherwise involved in, any proceeding by reason of the fact that he or she is or was a director of the Corporation against judgments, penalties, fines, settlements and reasonable expenses actually incurred by him or her in connection with any such proceeding. The Corporation shall pay any reasonable expenses incurred by a director in connection with any such proceeding in advance of the final determination thereof upon receipt from such director of such undertakings for repayment as may be required by applicable law and a written affirmation by such director that he or she has met the standard of conduct necessary for indemnification, but without any prior determination, which would otherwise be required by Washington law, that such standard of conduct has been met. The Corporation may enter into agreements with each director obligating the Corporation to make such indemnification and advances of expenses as are contemplated herein. Notwithstanding the foregoing, the Corporation shall not make any indemnification or advance which is prohibited by applicable law. The rights to indemnity and advancement of expenses granted herein shall continue as to any person who has ceased to be a director and shall inure to the benefit of the heirs, executors and administrators of such a person".

The Registrant has entered into indemnification agreements with each director as contemplated in Article Seventh of the Articles.

Reference is made to Revised Code of Washington 23B.08.510, which sets forth the extent to which indemnification is permitted under the laws of the State of Washington.

Article IX of the Registrant's Bylaws contains an indemnification provision similar to that contained in the Articles and, in addition, provides in part as follows:

"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".

Insurance is maintained on a regular basis (and not specifically in connection with this offering) against liabilities arising on the part of directors and officers out of their performance in such capacities or arising on the part of the Registrant out of its foregoing indemnification provisions, subject to certain exclusions and to the policy limits.

Item 16. Exhibits.

Reference is made to the Exhibit Index on p. II-5 hereof.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes:

- (a) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
 - (1) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");
 - (2) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and
 - (3) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (a)(1) and (a)(2) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are incorporated by reference in this registration statement.

- (b) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (c) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (d) That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;
- (e) That, for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon rule 430A and

contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

- (f) That, for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted against the Registrant by such director, officer or controlling person in connection with the securities being registered, such Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

POWER OF ATTORNEY

The Registrant hereby appoints each Agent for Service named in this Registration Statement as its attorney-in-fact to sign in their name and behalf, and to file with the Securities and Exchange Commission any and all amendments, including post-effective amendments, to this Registration Statement, and each director and/or officer of the Registrant whose signature appears below hereby appoints each such Agent for Service as his attorney-in-fact with like authority to sign in his name and behalf, in any and all capacities stated below, and to file with the Securities and Exchange Commission, any and all such amendments.

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
1*	Form of Underwriting Agreement for offering of debt securities.
4(a)	Mortgage and Deed of Trust dated as of June 1, 1939, by and among Avista Corporation and Citibank, N.A., as Trustee (filed with registration number 2-4077 B-3).
4(b)	Thirty-first Supplemental Indenture to the Mortgage.
4(c)	Form of Supplemental Indenture to the Mortgage.
4(d)	Indenture, dated as of April 1, 1998, between Avista Corporation, JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee (filed with Registration number 333-82165).
4(e)	Form of Officer's Certificate to be used in connection with an underwritten public offering of Debt Securities.
5(a)	Opinion and Consent of Heller Ehrman White & McAuliffe LLP.
5(b)	Opinion and Consent of Dewey Ballantine LLP.
23(a)	Consent of Heller Ehrman White & McAuliffe LLP (contained in Exhibit 5(a)).
23(b)	Consent of Dewey Ballantine LLP (contained in Exhibit 5(b)).
23(c)	Consent of Deloitte & Touche LLP.
24	Power of Attorney (contained on Page II-3).
25(a)	Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of JPMorgan Chase Bank, as Trustee under the Indenture.
25(b)	Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of Citibank, N.A., as Trustee under the Mortgage and Deed of Trust.

* To be filed as an Exhibit to a report on Form 8-K, as contemplated by Item 601(b)(1) of Regulation S-K under the Securities Act.

AVISTA CORPORATION

TO

CITIBANK, N.A.

*As Successor Trustee under
Mortgage and Deed of Trust,
dated as of June 1, 1939*

Thirty-first Supplemental Indenture

*Providing among other things for a series of bonds designated
“First Mortgage Bonds, Collateral Series due 2004”
Due May 11, 2004*

Dated as of May 1, 2003

THIRTY-FIRST SUPPLEMENTAL INDENTURE

THIS INDENTURE, dated as of the 1st day of May 2003, between AVISTA CORPORATION (formerly known as The Washington Water Power Company), a corporation of the State of Washington, whose post office address is 1411 East Mission Avenue, Spokane, Washington 99202 (the "Company"), and CITIBANK, N.A., formerly First National City Bank (successor by merger to First National City Trust Company, formerly City Bank Farmers Trust Company), a national banking association incorporated and existing under the laws of the United States of America, whose post office address is 111 Wall Street, New York, 10043 New York (the "Trustee"), as Trustee under the Mortgage and Deed of Trust, dated as of June 1, 1939 (the "Original Mortgage"), executed and delivered by the Company to secure the payment of bonds issued or to be issued under and in accordance with the provisions thereof, this indenture (the "Thirty-first Supplemental Indenture") being supplemental to the Original Mortgage, as heretofore supplemented and amended.

WHEREAS pursuant to a written request of the Company made in accordance with Section 103 of the Original Mortgage, Francis M. Pitt (then Individual Trustee under the Mortgage, as supplemented) ceased to be a trustee thereunder on July 23, 1969, and all of his powers as Individual Trustee have devolved upon the Trustee and its successors alone; and

WHEREAS by the Original Mortgage the Company covenanted that it would execute and deliver such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Original Mortgage and to make subject to the lien of the Original Mortgage any property thereafter acquired intended to be subject to the lien thereof; and

WHEREAS the Company has heretofore executed and delivered, in addition to the Original Mortgage, the indentures supplemental thereto, and has issued the series of bonds, set forth in Exhibit A hereto (the Mortgage, as supplemented and amended by the First through Thirtieth Supplemental Indentures being herein sometimes called collectively, the "Mortgage"); and

WHEREAS the Original Mortgage and the First through Twenty-ninth Supplemental Indentures have been appropriately filed or recorded in various official records in the States of Washington, California, Idaho, Montana and Oregon, as set forth in the First through Thirtieth Supplemental Indentures and the Instrument of Further Assurance, dated December 15, 2001, hereinafter referred to; and

WHEREAS the Thirtieth Supplemental Indenture, dated as of May 1, 2002, has been appropriately filed or recorded in the various official records in the States of Washington, California, Idaho, Montana and Oregon set forth in Exhibit B hereto; and

WHEREAS for the purpose of confirming or perfecting the lien of the Mortgage on certain of its properties, the Company has heretofore executed and delivered a Short Form Mortgage and Security Agreement, in multiple counterparts dated as of various dates in 1992, and such instrument has been appropriately filed or recorded in the various official records in the States of California, Montana and Oregon; and

WHEREAS for the purpose of confirming or perfecting the lien of the Mortgage on certain of its properties, the Company has heretofore executed and delivered an Instrument of Further Assurance, dated as of December 15, 2001, and such instrument has been appropriately filed or recorded in the various official records in the States of Washington, California, Idaho, Montana and Oregon; and

WHEREAS in addition to the property described in the Mortgage the Company has acquired certain other property, rights and interests in property; and

WHEREAS Section 8 of the Original Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of the coupons to be attached to coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company; that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof; and that such series may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS Section 120 of the Original Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein, or in any supplemental indenture, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

WHEREAS the Company now desires to create a new series of bonds; and

WHEREAS the execution and delivery by the Company of this Thirty-first Supplemental Indenture, and the terms of the bonds of the Twenty-ninth Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate Resolutions of said Board of Directors, and all things necessary to make this Thirty-first Supplemental Indenture a valid, binding and legal instrument have been performed;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That the Company, in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, hereby confirms the estate, title and rights of the Trustee (including without limitation the lien of the Mortgage on the property of the Company subjected thereto, whether now owned or hereafter acquired) held as security for the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage according to their tenor and effect and the performance of all the provisions of the Mortgage and of such bonds, and, without limiting the generality of the foregoing, hereby confirms the grant, bargain, sale, release, conveyance, assignment, transfer, mortgage, pledge, setting over and confirmation unto the Trustee, contained in the Mortgage, of all the following described properties of the Company, whether now owned or hereafter acquired, namely:

All of the property, real, personal and mixed, of every character and wheresoever situated (except any hereinafter or in the Mortgage expressly excepted) which the Company now owns or, subject to the provisions of Section 87 of the Mortgage, may hereafter acquire prior to the satisfaction and discharge of the Mortgage, as fully and completely as if herein or in the Mortgage specifically described, and including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in Mortgage) all lands, real estate, easements, servitudes, rights of way and leasehold and other interests in real estate; all rights to the use or appropriation of water, flowage rights, water storage rights, flooding rights, and other rights in respect of or relating to water; all plants for the generation of electricity, power houses, dams, dam sites, reservoirs, flumes, raceways, diversion works, head works, waterways, water works, water systems, gas plants, steam heat plants, hot water plants, ice or refrigeration plants, stations, substations, offices, buildings and other works and structures and the equipment thereof and all improvements, extensions and additions thereto; all generators, machinery, engines, turbines, boilers, dynamos, transformers, motors, electric machines, switchboards, regulators, meters, electrical and mechanical appliances, conduits, cables, pipes and mains; all lines and systems for the transmission and distribution of electric current, gas, steam heat or water for any purpose; all towers, mains, pipes, poles, pole lines, conduits, cables, wires, switch racks, insulators, compressors, pumps, fittings, valves and connections; all motor vehicles and automobiles; all tools, implements, apparatus, furniture, stores, supplies and equipment; all franchises (except the Company's franchise to be a corporation), licenses, permits, rights, powers and privileges; and (except as hereinafter or in the Mortgage expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature.

The property so conveyed or intended to be so conveyed under the Mortgage shall include, but shall not be limited to, the property set forth in Exhibit C hereto, the particular description of which is intended only to aid in the identification thereof and shall not be construed as limiting the force, effect and scope of the foregoing.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Original Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

THE COMPANY HEREBY CONFIRMS that, subject to the provisions of Section 87 of the Original Mortgage, all the property, rights, and franchises acquired by the Company after the date thereof (except any hereinbefore or hereinafter or in the Mortgage expressly excepted) are and shall be as fully embraced within the lien of the Mortgage as if such property, rights and franchises had been owned by the Company at the date of the Original Mortgage and had been specifically described therein.

PROVIDED THAT the following were not and were not intended to be then or now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed under the Mortgage and were, are and shall be expressly excepted from the lien and operation namely: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, paid, deposited or delivered under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business or for consumption in the operation of any properties of the Company; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; (4) electric energy and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; and (5) any property heretofore released pursuant to any provisions of the Mortgage and not heretofore disposed of by the Company; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event that the Trustee or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XII of the Original Mortgage by reason of the occurrence of a Completed Default as defined in said Article XII.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company in the Mortgage as aforesaid, or intended so to be, unto the Trustee, and its successors, heirs and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as set forth in the Mortgage, this Thirty-first Supplemental Indenture being supplemental to the Mortgage.

AND IT IS HEREBY FURTHER CONFIRMED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage shall affect and apply to the property in the Mortgage described and conveyed, and to the estates, rights, obligations and duties of the Company and the Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors in the trust, in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Original Mortgage, and had been specifically and at length described in and conveyed to said Trustee by the Original Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustee and its successor or successors in such trust under the Mortgage, as follows:

ARTICLE I
Twenty-ninth Series of Bonds

SECTION 1. (I) There shall be a series of bonds designated "Collateral Series due 2004" (herein sometimes referred to as the "Twenty-ninth Series"), each of which shall also bear the descriptive title First Mortgage Bond, and the form thereof, which has been established by Resolution of the Board of Directors of the Company, is set forth on Exhibit D hereto. Bonds of the Twenty-ninth Series shall be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, any amount in excess thereof (the exercise of such option to be evidenced by the execution and delivery thereof) and shall be dated as in Section 10 of the Mortgage provided. Each bond of the Twenty-ninth Series shall mature on May 11, 2004 and shall bear interest, be redeemable and have such other terms and provisions as set forth below.

(II) The Bonds of the Twenty-ninth Series shall have the following terms and characteristics:

(a) the Bonds of the Twenty-ninth Series shall be initially authenticated and delivered under the Indenture in the aggregate principal amount of \$245,000,000;

(b) the Bonds of the Twenty-ninth Series shall bear interest at the rate of eight per centum (8%) per annum; interest on such bonds shall accrue from and including the date of the initial authentication and delivery thereof, except as otherwise provided in the form of bond attached hereto as Exhibit D; interest on such bonds shall be payable on each Interest Payment Date and at Maturity (as each of such terms is hereafter defined); and interest on such bonds during any period less than one year for which payment is made shall be computed in accordance with the Credit Agreement (as hereinafter defined);

(c) the principal of and premium, if any, and interest on each bond of the Twenty-ninth Series payable at Maturity shall be payable upon presentation thereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency as at the time of payment is legal tender for public and private debts. The interest on each Bond of the Twenty-ninth Series (other than interest payable at Maturity) shall be payable directly to the registered owners thereof;

(d) the Bonds of the Twenty-ninth Series shall not be redeemable, in whole or in part, at the option of the Company;

(e) (i) the Bonds of the Twenty-ninth Series are to be issued and delivered to the Administrative Agent (as hereinafter defined) in order to provide the benefit of the lien of the Mortgage as security for the obligation of the Company under the Credit Agreement to pay the Obligations (as hereinafter defined), to the extent and subject to the limitations set forth in clauses (iii) and (iv) of this subdivision;

(ii) upon the earliest of (A) the occurrence of an Event of Default under the Credit Agreement, and further upon the condition that, in accordance with the terms of the Credit Agreement, the Commitments (as hereinafter defined) shall have been or shall have terminated and any Loans (as hereinafter defined) outstanding shall have been declared to be or shall have otherwise become due and payable immediately and the Administrative Agent shall have delivered to the Company a notice demanding redemption of the Bonds of the Twenty-ninth Series which notice states that it is being delivered pursuant to Article VII of the Credit Agreement, (B) the occurrence of an Event of Default under clause (g) or (h) of Article VII of the Credit Agreement, and (C) May 11, 2004, then all Bonds of the Twenty-ninth Series shall be redeemed or paid immediately at the principal amount thereof plus accrued interest to the date of redemption or payment;

(iii) the obligation of the Company to pay the accrued interest on Bonds of the Twenty-ninth Series on any Interest Payment Date prior to Maturity (a) shall be deemed to have been satisfied and discharged in full in the event that all amounts then due in respect of the Obligations shall have been paid or (b) shall be deemed to remain unsatisfied in an amount equal to the aggregate amount then due in respect of the Obligations and remaining unpaid (not in excess, however, of the amount otherwise then due in respect of interest on the Bonds of the Twenty-ninth Series);

(iv) the obligation of the Company to pay the principal of and accrued interest on Bonds of the Twenty-ninth Series at or after Maturity (x) shall be deemed to have been satisfied and discharged in full in the event that all amounts then due in respect of the Obligations shall have been paid or (y) shall be deemed to remain unsatisfied in an amount equal to the aggregate amount then due in respect of the Obligations and remaining unpaid (not in excess, however, of the amount otherwise then due in respect of principal of and accrued interest on the Bonds of the Twenty-ninth Series).

(v) the Trustee shall be entitled to presume that the obligation of the Company to pay the principal of and interest on the Bonds of the Twenty-ninth Series as the same shall become due and payable shall have been fully satisfied and discharged unless and until it shall have received a written notice from the Administrative Agent, signed by an authorized officer thereof, stating that the principal of and/or interest on the Bonds of the Twenty-ninth Series has become due and payable and has not been fully paid, and specifying the amount of funds required to make such payment;

(f) no service charge shall be made for the registration of transfer or exchange of Bonds of the Twenty-ninth Series;

(g) in the event of an application by the Administrative Agent for a substituted Bond of the Twenty-ninth Series pursuant to Section 16 of the Original Mortgage, the Administrative Agent shall not be required to provide any indemnity or pay any expenses or charges as contemplated in said Section 16; and

(h) the Bonds of the Twenty-ninth Series shall have such other terms as are set forth in the form of bond attached hereto as Exhibit D.

Anything in this Supplemental Indenture or in the Bonds of the Twenty-ninth Series to the contrary notwithstanding, if, at the time of the Maturity of such Bonds, the stated aggregate principal amount of such Bonds then Outstanding shall exceed the aggregate Revolving Credit Exposures (as hereinafter defined), the aggregate principal amount of such Bonds shall be deemed to have been reduced by the amount of such excess.

(III) For all purposes of this Thirty-first Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires, the terms defined below shall have the meanings specified:

“Administrative Agent” means The Bank of New York, in its capacity as Administrative Agent under the Credit Agreement.

“Bond Delivery Agreement” means the Bond Delivery Agreement, dated May 13, 2003 between the Company and the Administrative Agent.

“Credit Agreement” means the Credit Agreement, dated as of May 21, 2002, among the Company, the banks parties thereto, Keybank National Association and Washington Mutual Bank, as Co-Agents, U.S. Bank, National Association, as Managing Agent, Fleet National Bank and Wells Fargo Bank, as Documentation Agents, Union Bank of California, N.A., as Syndication Agent, and The Bank of New York as Administrative Agent and Issuing Bank, as amended, supplemented or otherwise modified from time to time, including that certain Amendment No. 1, dated as of May 13, 2003, among the Company, the banks parties thereto, Washington Mutual Bank, as Managing Agent, Fleet National Bank, Keybank National Association, U.S. Bank, National Association and Wells Fargo Bank, as Documentation Agents, Union Bank of California, N.A., as Syndication Agent, and The Bank of New York, as Administrative Agent and Issuing Bank.

“Interest Payment Date” means June 30, 2003, September 30, 2003, December 31, 2003 and March 31, 2004.

“Maturity” means the date on which the principal of the Bonds of the Twenty-ninth Series becomes due and payable, whether at stated maturity, upon redemption or acceleration, or otherwise.

“Obligations” shall have the meaning specified in the Bond Delivery Agreement.

“Commitments”, **“Loans”** and **“Revolving Credit Exposures”** shall have the meanings specified in the Credit Agreement:

A copy of the Credit Agreement is on file at the office of the Administrative Agent at One Wall Street, 18th Floor, New York, NY 10286 and at the office of the Company at 1411 East Mission Avenue, Spokane, WA 99202.

(IV) Upon the delivery of this Thirty-first Supplemental Indenture, bonds of the Twenty-ninth Series in an aggregate principal amount not to exceed \$245,000,000 are to be issued and will be Outstanding, in addition to \$313,500,000 aggregate principal amount of bonds of prior series Outstanding at the date of delivery of this Thirty-first Supplemental Indenture.

ARTICLE II
Miscellaneous Provisions

SECTION 1. The terms defined in the Original Mortgage shall, for all purposes of this Thirty-first Supplemental Indenture, have the meanings specified in the Original Mortgage.

SECTION 2. The Trustee hereby confirms its acceptance of the trusts in the Original Mortgage declared, provided, created or supplemented and agrees to perform the same upon the terms and conditions in the Original Mortgage set forth, including the following:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Thirty-first Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. Each and every term and condition contained in Article XVI of the Original Mortgage, shall apply to and form part of this Thirty-first Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Thirty-first Supplemental Indenture.

SECTION 3. Whenever in this Thirty-first Supplemental Indenture either of the parties hereto is named or referred to, this shall, subject to the provisions of Articles XV and XVI of the Original Mortgage be deemed to include the successors and assigns of such party, and all the covenants and agreements in this Thirty-first Supplemental Indenture contained by or on behalf of the Company, or by or on behalf of the Trustee, or either of them, shall, subject as aforesaid, bind and inure to the respective benefits of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 4. Nothing in this Thirty-first Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy or claim under or by reason of this Thirty-first Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Thirty-first Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.

SECTION 5. This Thirty-first Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

By /s/ Wafaa Orfy

Wafaa Orfy, Vice President

Attest:

 /s/ Nancy Forte

Nancy Forte, Assistant Vice President

Executed, sealed and delivered
by CITIBANK, N.A.,
as trustee. in the presence of:

 /s/ R.T. Kirchner

R.T. Kirchner
Vice President

 /s/ P. DeFelice

P. DeFelice
Vice President

STATE OF WASHINGTON)
) ss.:
COUNTY OF SPOKANE)

On the 9th day of May 2003, before me personally appeared Malyn K. Malquist, to me known to be a Senior Vice President of AVISTA CORPORATION, one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

On the 9th day of May 2003, before me, Sue Miner, a Notary Public in and for the State and County aforesaid, personally appeared Malyn K. Maquist, known to me to be a Senior Vice President of AVISTA CORPORATION, one of the corporations that executed the within and foregoing instrument and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

/s/ Sue Miner

Notary Public

SUE MINER
Notary Public
State of Washington
Commission Expires October 14, 2003

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 9th day of May 2003, before me personally appeared Wafaa Orfy, to me known to be a Vice President of CITIBANK, N.A., one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

On the 9th day of May 2003, before me, a Notary Public in and for the State and County aforesaid, personally appeared Nancy Forte, known to me to be an Assistant Vice President of CITIBANK, N.A., one of the corporations that executed the within and foregoing instrument and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

/s/ Nanette Murphy

Notary Public

NANETTE MURPHY
Notary Public, State of New York
No. 01MU6086415
Qualified in Kings County
Commission Expires 1/07

**MORTGAGE, SUPPLEMENTAL INDENTURES
AND SERIES OF BONDS**

MORTGAGE OR SUPPLEMENTAL INDENTURE	DATED AS OF	SERIES		PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
		NO.	DESIGNATION		
Original	June 1, 1939	1	3-1/2% Series due 1964	\$ 22,000,000	None
First	October 1, 1952	2	3-3/4% Series due 1982	30,000,000	None
Second	May 1, 1953	3	3-7/8% Series due 1983	10,000,000	None
Third	December 1, 1955		None		
Fourth	March 15, 1957		None		
Fifth	July 1, 1957	4	4-7/8% Series due 1987	30,000,000	None
Sixth	January 1, 1958	5	4-1/8% Series due 1988	20,000,000	None
Seventh	August 1, 1958	6	4-3/8% Series due 1988	15,000,000	None
Eighth	January 1, 1959	7	4-3/4% Series due 1989	15,000,000	None
Ninth	January 1, 1960	8	5-3/8% Series due 1990	10,000,000	None
Tenth	April 1, 1964	9	4-5/8% Series due 1994	30,000,000	None
Eleventh	March 1, 1965	10	4-5/8% Series due 1995	10,000,000	None
Twelfth	May 1, 1966		None		
Thirteenth	August 1, 1966	11	6 % Series due 1996	20,000,000	None
Fourteenth	April 1, 1970	12	9-1/4% Series due 2000	20,000,000	None
Fifteenth	May 1, 1973	13	7-7/8% Series due 2003	20,000,000	None
Sixteenth	February 1, 1975	14	9-3/8% Series due 2005	25,000,000	None
Seventeenth	November 1, 1976	15	8-3/4% Series due 2006	30,000,000	None
Eighteenth	June 1, 1980		None		
Nineteenth	January 1, 1981	16	14-1/8% Series due 1991	40,000,000	None
Twentieth	August 1, 1982	17	15-3/4% Series due 1990-1992	60,000,000	None
Twenty-First	September 1, 1983	18	13-1/2% Series due 2013	60,000,000	None
Twenty-Second	March 1, 1984	19	13-1/4% Series due 1994	60,000,000	None
Twenty-Third	December 1, 1986	20	9-1/4% Series due 2016	80,000,000	None
Twenty-Fourth	January 1, 1988	21	10-3/8% Series due 2018	50,000,000	None
Twenty-Fifth	October 1, 1989	22	7-1/8% Series due 2013	66,700,000	None
		23	7-2/5% Series due 2016	17,000,000	None
Twenty-Sixth	April 1, 1993	24	Secured Medium-Term Notes, Series A (\$250,000,000 authorized)	250,000,000	104,500,000
Twenty-Seventh	January 1, 1994	25	Secured Medium-Term Notes, Series B (\$250,000,000 authorized)	161,000,000	59,000,000
Twenty-Eighth	September 1, 2001	26	Collateral Series due 2002	220,000,000	None
Twenty-Ninth	December 1, 2001	27	7.75% Series due 2007	150,000,000	150,000,000
Thirtieth	May 1, 2002	28	Collateral Series due 2003	225,000,000	225,000,000*

* To be retired in connection with the authentication and delivery of the bonds of the Twenty-ninth series.

**FILING AND RECORDING OF
THIRTIETH SUPPLEMENTAL INDENTURE
FILING IN STATE OFFICES**

<u>State</u>	<u>Office of</u>	<u>Date</u>	<u>Financing Statement Document Number</u>
Washington	Secretary of State	6/3/02	2002-157-9316-6
Idaho	Secretary of State	6/3/02	B-2002-0924959-8
Montana	Secretary of State	6/3/02	68636746
Oregon	Secretary of State	6/4/02	589258
California	Secretary of State	6/4/02	215660260

RECORDING IN COUNTY OFFICES

<u>County</u>	<u>Office of</u>	<u>Date</u>	<u>Real Estate Mortgage Records</u>			<u>Financing Statement Document Number</u>
			<u>Document Number</u>	<u>Book</u>	<u>Page</u>	
<u>Washington</u>	Auditor	6/3/02	265266	N/A	N/A	N/A
Adams						
Asotin	Auditor	6/3/02	260551	N/A	N/A	N/A
Benton	Auditor	6/3/02	2002-021711	N/A	N/A	N/A
Douglas	Auditor	6/3/02	30490506	N/A	N/A	N/A
Ferry	Auditor	6/3/02	252801	N/A	N/A	N/A
Franklin	Auditor	6/3/02	1606883	N/A	N/A	N/A
Garfield	Auditor	6/3/02	7218	N/A	N/A	N/A
Grant	Auditor	6/3/02	1104411	N/A	N/A	N/A
Klickitat	Auditor	6/4/02	1030419	N/A	N/A	N/A
Lewis	Auditor	6/3/02	3140057	N/A	N/A	N/A
Lincoln	Auditor	6/3/02	2002-0425163	79	488	N/A
Pend Oreille	Auditor	6/3/02	2002-0263337	N/A	N/A	N/A
Skamania	Auditor	6/5/02	144874	225	24	N/A
Spokane	Auditor	6/4/02	4734873	N/A	N/A	N/A
Stevens	Auditor	6/5/02	2002-0006407	274	1318	N/A
Thurston	Auditor	6/4/02	3439087	N/A	N/A	N/A
Whitman	Auditor	6/3/02	636647	N/A	N/A	N/A
<u>Idaho</u>	Recorder	6/3/02	226594	N/A	N/A	N/A
Benewah						
Bonner	Recorder	6/4/02	302404	N/A	N/A	N/A
Boundary	Recorder	6/3/02	206276	N/A	N/A	N/A
Clearwater	Recorder	6/3/02	189603	N/A	N/A	N/A
Idaho	Recorder	6/3/02	422647	N/A	N/A	N/A

RECORDING IN COUNTY OFFICES

County	Office of	Real Estate Mortgage Records				Financing Statement Document Number
		Date	Document Number	Book	Page	
Kootenai	Recorder	6/4/02	1736133	N/A	N/A	N/A
Latah	Recorder	6/3/02	466087	N/A	N/A	N/A
Lewis	Recorder	6/3/02	126109	N/A	N/A	N/A
Nez Perce	Recorder	6/3/02	675783	N/A	N/A	N/A
Shoshone	Recorder	6/3/02	403942	N/A	N/A	N/A
<u>Montana</u>	Clerk & Recorder	6/3/02	327271	65	5	N/A
Big Horn						
Broadwater	Clerk & Recorder	6/4/02	143622	62	541	N/A
Golden Valley	Clerk & Recorder	6/3/02	75585	M	9668	N/A
Meagher	Clerk & Recorder	6/3/02	111558	F54	345	N/A
Mineral	Clerk & Recorder	6/3/02	91954	Dr-3	7767	N/A
Rosebud	Clerk & Recorder	6/4/02	91925	101	172	N/A
Sanders	Clerk & Recorder	6/3/02	37706	N/A	N/A	N/A
Stillwater	Clerk & Recorder	6/4/02	307965	N/A	N/A	N/A
Treasure	Clerk & Recorder	6/3/02	77848	M-16	168	N/A
Wheatland	Clerk & Recorder	6/3/02	101346	X	8027	N/A
Yellowstone	Clerk & Recorder	6/3/02	3178706	N/A	N/A	N/A
<u>Oregon</u>	Recorder	6/4/02	2002-15398	1876	756	N/A
Douglas						
Jackson	Recorder	6/5/02	02-30618	N/A	N/A	N/A
Josephine	Recorder	6/3/02	2002-011567	N/A	N/A	N/A
Klamath	Recorder	6/4/02		M02	32784	N/A
Union	Recorder	6/3/02	20022952	N/A	N/A	N/A
Wallowa	Recorder	6/3/02	2002-45841	N/A	N/A	N/A
<u>California</u>	Recorder	6/5/02	2002-0040727-00	N/A	N/A	N/A
El Dorado						

PROPERTY ADDITIONS

(A) The Additional Electric Substations and Substation Sites of the Company in the State of Washington, including all buildings, structures, towers, poles, equipment, appliances and devices for transforming, converting and distributing electric energy, and the lands of the Company on which the same are situated and all of the Company's real estate and interests therein, machinery, equipment, appliances, devices, appurtenances and supplies, franchises, permits and other rights and other property forming a part of said substations or any of them, or used or enjoyed or capable of being used or enjoyed in connection with any thereof, including, but not limited to, the following situated in the State of Washington:

1. Mead 115kV Substation in Spokane County, Washington (Tract 78, City Gardens, as per plat recorded in Volume "P" of Plats, page 34, records of Spokane County).

(B) Miscellaneous Real Estate in the States of Montana, Idaho and Oregon.

- (a) Miscellaneous Fee-owned Real Estate in the States of Montana and Idaho.

1. The Northeast Quarter (NE $\frac{1}{4}$), the South Half of the Northwest Quarter (S $\frac{1}{2}$ NW $\frac{1}{4}$) and the South Half (S $\frac{1}{2}$) of Section 15, Township 28 North, Range 33 West, M.P.M., Sanders County, Montana; **and** the Northeast Quarter (NE $\frac{1}{4}$) of Section 16, Township 28 North, Range 33 West, M.P.M., Sanders County, Montana; **excepting therefrom** the tract described as follows: Beginning at a point, marked by a steel rod, on the Southwesterly right-of-way line of Forest Road No. 402, which point is 1772.9 feet East and 839.6 feet South from the North quarter corner of Section 16, Township 28 North, Range 33 West, M.P.M.; thence South 41°18' West, 466.67 feet to a point in a beaver swamp, which point is referenced by a steel rod on the aforescribed line at a distance of 30.0 feet from the corner; thence South 48°42' East, 466.67 feet to a point in a beaver swamp, which course is referenced by a squared post at 82.02 feet and a nail in a stump at 244.8 feet; thence North 41°18' East, 466.67 feet to a steel rod on the Southwesterly right-of-way line of Forest Road No. 402, which course is referenced by a steel rod at 30.0 feet from the South corner of the subject tract; then, along said Southwesterly right-of-way line, North 48°42' East, 466.67 feet to the Point of Beginning, said excepted tract having been conveyed to Robert P. Kelly by Warranty Deed dated June 29, 1962, recorded June 29, 1962 in Book 75 of Deeds, page 214, Sanders County, Montana records.
2. H.E.S. No. 138 embracing a portion of Section 10, Township 27 North, Range 33 West, .M.P.M., Sanders County, Montana, more particularly described as follows:

Beginning at corner No. 1 from which the East quarter corner of said Section 10 bears North 53°37'00" East, 7.52 chains distance; thence North 49°16'00" West, 21.83 chains to Corner No. 2; thence North 79°58'00" West, 27.38 chains to Corner No. 3; thence North 85°28'00" West, 29.08 chains to Corner No. 4; thence South 00°32'00" West, 19.95 chains to Corner No. 5; thence South 78°26'00" East, 73.91 chains to Corner No. 6; thence North 00°47'00" East, 13.59 chains to Corner No. 1, the Place of Beginning; (according to Warranty Deed at Volume 92, page 532, Sanders County, Montana Deed records). **Excepting therefrom** that property conveyed by deed executed by I. T. Clark, et.ux. to the State of Montana, dated November 3, 1958 and recorded February 24, 1959 in Book 70 of Deeds at page 208, Sanders County, Montana Deed records.

3. The East one-half (E½) of a strip of land which is contained within the East Half of the Southwest Quarter of the Northwest Quarter (E½ SW¼ NW¼) and the East Half of the Northwest Quarter of the Northwest Quarter of the Southwest Quarter (E½ NW¼ NW¼ SW¼) in Section 10, Township 27 North, Range 33 West, M.P.M., Sanders County, Montana, as shown on the Certificate of Survey No. 1836RB, Sanders County, Montana records.
4. A parcel of land in the Southwest Quarter of the Northwest Quarter (SW¼ NW¼) of Section 13, Township 26 North, Range 33 West, M.P.M., Sanders County, Montana, described as follows: Beginning at a point on the West line of Section 13 which point lies 1804.9 feet South of the Northwest corner of Section 13; thence North 51°52' East, 141.6 feet; thence North 58°35' East, 346.1 feet; thence North 88°15' East, 50.7 feet to the Southerly right-of-way of the Northern Pacific Railway; thence North 85°05' West, 459.5 feet, more or less, along the Southerly right-of-way of the Northern Pacific Railway to the West line of Section 13.
5. A tract of land in the Southeast Quarter of the Northeast Quarter (SE¼ NE¼) of Section 14, Township 26 North, Range 33 West, M.P.M., Sanders County, Montana, described as follows: Beginning at a point on the East line of Section 14 which point lies 179.3 feet South of the Northeast corner of the SE¼ NE¼; thence North 85°05' West, 334.2 feet; thence South 4°55' West, 100.0 feet; thence North 85°05' West, 41.1 feet; thence South 17°35' East, 308 feet, more or less; thence North 79°32'30" East, 199.8 feet; thence North 80°38' East 95.4 feet to the East line of Section 14; thence North 308.8 feet along the East line of Section 14 to the Point of Beginning.

6. Beginning at a point situated South 00°15'22" East, 1067.51 feet as measured along the West line of the Northwest Quarter (NW¼) of Section 14, Township 26 North, Range 33 West, M.P.M., Sanders County, Montana, and North 89°44'38" East, 2113.02 feet from the Northwest corner of said Section 14, said point being the Northeast corner of tract 'C' of Certificate of Survey No. 619 and lying on the Southerly right-of-way of the Burlington Northern Railroad; Thence along said Southerly right-of-way on a tangent curve to the left the center of which bears North 19°39'27" East, 3919.72 feet distant through a central angle of 07°09'54", an arc distance of 490.18 feet to the True Point of Beginning; Thence continuing along said tangent curve to the left through a central angle of 03°04'37", an arc distance of 210.49 feet to a point of spiral curvature; Thence along a spiral curve to the left having a length of spiral tangent of 42.82 feet, a tangent offset of 2.50 feet, through a central Theta angle of 00°35'47" an arc distance of 42.82 feet to a point of intersection along the Southwesterly margin of Montana State Highway No. 200 (Highway 10-A); Thence along said Southwesterly margin South 51°38'06" East, 252.23 feet; Thence South 38°21'54" West, 40.00 feet; Thence South 51°38'06" East, 235.54 feet to a point of curvature; Thence along a tangent curve to the left the center of which bears North 38°21'54" East, 5649.58 feet distant, through a central angle of 02°05'06" an arc distance of 212.87 feet to a point of intersection with the North line of the Cabinet Gorge Hydro-Electric Development project boundary; Thence along said Project boundary the following courses and distances; South 86° 59'00" West, 168.70 feet; Thence North 68°41'00" West, 90.60 feet; Thence South 86°32'30" West, 105.60 feet; Thence South 77°20'00" West, 313.90 feet; Thence South 66°28'30" West, 373.60 feet; Thence North 81°19'30" West, 264.30 feet; Thence North 36°25'35" East, 832.45 feet to the True Point of Beginning. **Excepting therefrom** the following described tract for drainage ditch purposes conveyed to Northern Pacific Railroad February 23, 1960, as recorded in Volume 71 of Deeds, page 513, Sanders County Records, a strip of land 50.00 feet in width lying 25.00 feet on each side of the following described centerline; Beginning at a point of intersection of the Southerly right-of-way of the Burlington Northern Railroad with the West line of the NE¼ of said Section 14, said point being situated South 00°57'02" East, 1218.36 feet from the North quarter corner of said Section 14; thence South 38°11'12" East, 256.60 feet; thence South 47°01'12" East, 406.26 feet to the North line of the Washington Water Power Company's Cabinet Gorge Hydro-Electric Development project boundary and the terminus of this centerline description.
7. All of Government Lot 1, of Section 29, Township 55 North, Range 3 East, B.M., **excepting** Highway right of way; **excepting** all minerals, metals and ores of every kind nature, and all oil, gas and other hydrocarbons, together with the right of ingress and egress as reserved in that certain Deed to Plum Creek Timber Company, L.P. from PCTC, Inc., executed on June 21, 1989 and recorded June 29, 1989, in the records of Bonner County, Idaho as Instrument No. 363266; **also except** the 1970 Airline 12 x 64 Mobile Home.
8. That part of Government Lots 2, 3 and 5 in Section 29, Township 55 North, Range 3 East, B.M., Bonner County, Idaho, lying North of the current operating Burlington Northern Santa Fe Railroad right-of-way as determined by Judgment, recorded March 6, 1996, as Instrument No. 481633 and shown on Record of Survey, recorded March 31, 1997 as Instrument No. 501363, records of Bonner County, Idaho.

9. That part of the East 100 feet of Government Lot 5 of Section 30, Township 55 North, Range 3 East, B.M., Bonner County, Idaho, lying North of the current operating Burlington Northern Santa Fe Railroad right-of-way as determined by Judgment, recorded March 6, 1996, as Instrument No. 481633 and shown on Record of Survey, recorded March 31, 1997 as Instrument No. 501363, records of Bonner County, Idaho.
10. A road easement for ingress and egress as described on Easement, recorded September 13, 1976 as Instrument No. 179435 and shown on Record of Survey, recorded March 31, 1997 as Instrument No. 501363, records of Bonner County, Idaho.
11. Government Lot One (1), and the West Half of the Northwest Quarter ($W\frac{1}{2}$ NW $\frac{1}{4}$) of Section 12, Township 55 North, Range 2 East, B.M., Bonner County, State of Idaho, **less** any portion lying within the right of way of Highway 200.
12. A parcel of land lying in a portion of the South Half ($S\frac{1}{2}$) of Section 11, Township 57 North, Range 1 East, B.M., Bonner County, Idaho, more particularly described as follows: Commencing at the South quarter corner of said Section 11, a found 3-1/4" aluminum cap, monumenting said corner, which bears South 00°00'02" West, 2631.61 feet from the center quarter corner of said Section 11, a found 3-1/4" aluminum cap, monumenting said corner; thence South 89°42'36" West, 898.44 feet along the South line of said Section 11, to the Point of Beginning; thence North, 831.02 feet; thence North 32°15'27" West, 223.74 feet; thence North 21°31'11" West, 107.59 feet to a point of intersection with the centerline of an existing 40 foot wide road easement (Trestle Creek Road); thence Southwesterly along the centerline of said existing road easement the following two courses:
 - a. South 59°58'12" West, 142.21 feet;
 - b. Southwesterly along a 1000.00 foot radius curve left (the chord of which bears South 54°43'32" West, 182.81 feet) through a central angle of 10°29'20", an arc distance of 183.07 feet to a point on the North-South West 1/16 line;thence South 00°02'51" East, 945.76 feet along said West 1/16 line to the West 1/16 corner; thence North 89°42'36" East, 430.47 feet along the South line of said Section 11 to the Point of Beginning.

13. A parcel of land lying in a portion of the South Half (S½) of Section 11, Township 57 North, Range 1 East, B.M., Bonner County, Idaho, more particularly described as follows: Commencing at the South quarter corner of said Section 11, a found 3-1/4" aluminum cap, monumenting said corner, which bears South 00°00'02" West, 2631.61 feet from the center Quarter corner of said Section 11, a found 3 1/4" aluminum cap, monumenting said corner; thence South 89°42'36" West, 384.86 feet along the South line of said Section 11, to the Point of Beginning; thence continuing along said South line South 89°42'36" West, 513.58 feet; thence North, 831.02 feet; thence North 32°15'27" West, 184 feet, more or less, to the thread of Trestle Creek; thence Northeasterly along said thread of Trestle Creek, 682 feet, more or less, to a point in a line which bears North from the Point of Beginning; thence South 1212 feet, more or less, along said line to the Point of Beginning.
14. A parcel of land lying in a portion of the South Half (S½) of Section 11, Township 57 North, Range 1 East, B.M., Bonner County, Idaho, more particularly described as follows: Beginning at a point on the South line of said Section 11, which bears North 89°42'06" East, 237.64 feet from the South quarter corner of said Section 11, a found 3-1/4" aluminum cap, monumenting said corner; thence South 89°42'06" West, 237.64 feet along said South section line, to said South quarter corner; thence South 89°42'36" West, 384.86 feet along said South section line to a point; thence leaving said South section line North 1212 feet, more or less, to the thread of Trestle Creek; thence Northeasterly along the thread of Trestle Creek, 705 feet, more or less, to a point in a line which bears North from the Point of Beginning; thence South 1532 feet, more or less, along said line to the Point of Beginning; **except** Trestle Creek Road; **Together with** and subject to a 10 foot wide utility easement lying on each side, parallel with and adjoining to the existing 40 foot wide ingress and egress road easement (Trestle Creek Road); **Together with** and subject to the easements as set forth on those certain Record of Surveys, recorded as Instrument Nos. 450956 and 490888, records of Bonner County, Idaho.
15. Commencing at the Southwest corner of the Southwest Quarter of the Southeast Quarter (SW¼ SE¼) of Section 3, Township 53 North, Range 1 West, B.M., Bonner County, Idaho; thence North along the West line of said 1/16th section, a distance of 860 feet; thence East to the center of South Gold Creek; thence Southerly along the center line of said South Gold Creek to the South line of said 1/16th section; thence West along the South line of said 1/16th section to the Point of Beginning.
16. Lot Twelve (12), Block Nine (9), Unit 2 of Granite Creek Properties, as per plat, recorded in Book 2 of Plats, Page 84, records of Bonner County, Idaho.
17. Lot 23, Block 9, Unit 2 of Granite Creek Properties, according to the Plat thereof, recorded in Book 2 of Plats, Page 84, records of Bonner County, Idaho.

18. Lot 2 in Block 18, Unit II of Granite Creek, according to the plat thereof, recorded in Book 2 of Plats, Page 84, records of Bonner County, Idaho.
 19. Lot 48 in Block 18, Unit II of Granite Creek, according to the plat thereof, recorded in Book 2 of Plats, Page 84, records of Bonner County, Idaho.
 20. Lots 1, 2, and 3 in Block 21 of Unit 2, Granite Creek Properties, according to the plat thereof, recorded in Book 2 of Plats, Page 84, records of Bonner County, Idaho.
 21. Lot 4 in Block 21 of Unit 2, Granite Creek Properties, according to the plat thereof, recorded in Book 2 of Plats, Page 84, records of Bonner County, Idaho.
- (b) Miscellaneous Leasehold Interest Property in the State of Oregon.
1. An undivided 25% interest, as co-tenant, in and to that certain Ground Lease dated August 9, 1993 between The Port of Morrow, a municipal corporation of the State of Oregon, as lessor, and Portland General Electric Company, as lessee, a memorandum of which was recorded in Book: M, Page: 42775, in the real property records of Morrow County, Oregon, as assigned by an Assignment of Lease dated July 21, 2000, recorded in Book: 2000, Page: 1605, in the real property records of Morrow County, Oregon, and as further assigned by an Assignment of Ground Lease dated January 1, 2003, recorded in Book: 2002, Page: 6429, in the real property records of Morrow County, Oregon. All such rights of Avista Corporation being subject to and conditioned upon that certain Common Ownership and Services Agreement dated as of July 21, 2000, a copy of which is recorded in Book: 2000, Page: 1606, in the real property records of Morrow County, Oregon, and that certain Co-Tenancy and Joint Operating Agreement, dated as of January 1, 2003, a memorandum of which is recorded in Book: 2002, Page: 6430, in the real property records of Morrow County, Oregon.

(Form of Bond)

**This bond is non-transferable, except to a successor
Administrative Agent under the Credit Agreement referred to herein.**

AVISTA CORPORATION

First Mortgage Bond,
Collateral Series due 2004

REGISTERED

REGISTERED

NO. _____

\$ _____

AVISTA CORPORATION, a corporation of the State of Washington (hereinafter called the Company), for value received, hereby promises to pay to
, as Administrative Agent under the Credit Agreement hereinafter referred to or registered assigns, on May 11, 2004,

DOLLARS

and to pay the registered owner hereof interest thereon from May 13, 2003 in arrears on June 30, 2003, September 30, 2003, December 31, 2003 and March 31, 2004 (each such date being hereinafter called an "Interest Payment Date") and at Maturity (as hereinafter defined), at the rate of eight per centum (8%) per annum computed as provided in the Thirty-first Supplemental Indenture hereinafter referred to, until the Company's obligation with respect to the payment of such principal shall have been discharged. The principal of and premium, if any, and interest on this bond payable at Maturity shall be payable upon presentation hereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. The interest on this bond (other than interest payable at Maturity) shall be paid directly to the registered owner hereof. Interest payable at Maturity shall be paid to the person to whom principal shall be paid. As used herein, the term "Maturity" shall mean the date on which the principal of this bond becomes due and payable, whether at stated maturity, upon redemption or acceleration, or otherwise.

This bond is one of an issue of bonds of the Company issuable in series and is one of a series known as its First Mortgage Bonds, Collateral Series due 2004, all bonds of all such issue of series being issued and issuable under and equally secured (except insofar as any sinking or other fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for the bonds of any particular series) by a Mortgage and Deed of Trust, dated as of June 1, 1939, executed by the Company (formerly known as The Washington Water Power Company) to City Bank Farmers Trust Company and Ralph E. Morton, as Trustees (Citibank, N.A., successor Trustee to both said Trustees). Such mortgage and deed of trust has been amended and supplemented by various supplemental indentures, including the Thirty-first Supplemental Indenture, dated as of May 1, 2003 (the "Thirty-first Supplemental Indenture") and, as so amended and supplemented, is herein called the "Mortgage". Reference is made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds and of the Trustee in respect thereof, the duties and immunities of the Trustee and the terms and conditions upon which the bonds are and are to be secured and the circumstances under which additional bonds may be issued. By its acceptance of this bond, the holder hereof is deemed to have consented and agreed to all of the terms and provisions of the Mortgage. The Mortgage may be modified or altered by affirmative vote of the holders of at least 60% in principal amount of the bonds outstanding under the Mortgage, considered as one class, or, if the rights of one or more, but less than all, series of bonds then outstanding are to be affected, then such modification or alteration may be effected with the affirmative vote only of 60% in principal amount of the bonds outstanding of the series so to be affected, considered as one class, and, furthermore, for limited purposes, the Mortgage may be modified or altered without any consent or other action of holders of any series of bonds. No modification or alteration shall, however, permit an extension of the Maturity of the principal of, or interest on, this bond or a reduction in such principal or the rate of interest hereon or any other modification in the terms of payment of such principal or interest or the creation of any lien equal or prior to the lien of the Mortgage or deprive the holder of a lien on the mortgaged and pledged property without the consent of the holder hereof.

The bonds of this series are not redeemable, in whole or in part, at the option of the Company.

The bonds of this series have been issued and delivered to The Bank of New York, as Administrative Agent under the Credit Agreement (as such terms are defined in the Thirty-first Supplemental Indenture) in order to provide the benefit of the lien of the Mortgage as security for the obligation of the Company under the Credit Agreement to pay the Obligations (as so defined), to the extent and subject to the limitations set forth below.

Upon the earliest of (A) the occurrence of an Event of Default under the Credit Agreement, and further upon the condition that, in accordance with the terms of the Credit Agreement, the Commitments (as defined in the Thirty-first Supplemental Indenture) shall have been or shall have terminated and any Loans (as so defined) outstanding shall have been declared to be or shall have otherwise become due and payable immediately and the Administrative Agent shall have delivered to the Company a notice demanding redemption of the bonds of this series which notice states that it is being delivered pursuant to Article VII of the Credit Agreement, (B) the occurrence of an Event of Default under clause (g) or (h) of Article VII of the Credit Agreement, and (C) May 11, 2004, then all bonds of this series shall be redeemed or paid immediately at the principal amount thereof plus accrued interest to the date of redemption or payment.

The obligation of the Company to pay the accrued interest on bonds of this series on any Interest Payment Date prior to Maturity (a) shall be deemed to have been satisfied and discharged in full in the event that all amounts then due in respect of the Obligations shall have been paid or (b) shall be deemed to remain unsatisfied in an amount equal to the aggregate amount then due in respect of the Obligations and remaining unpaid (not in excess, however, of the amount otherwise then due in respect of interest on the bonds of this series).

The obligation of the Company to pay the principal of and accrued interest on bonds of this series at or after Maturity (x) shall be deemed to have been satisfied and discharged in full in the event that all amounts then due in respect of the Obligations shall have been paid or (y) shall be deemed to remain unsatisfied in an amount equal to the aggregate amount then due in respect of the Obligations and remaining unpaid (not in excess, however, of the amount otherwise then due in respect of principal of and accrued interest on the bonds of this series).

Anything in this bond to the contrary notwithstanding, if, at the time of the Maturity of the bonds of this series, the stated aggregate principal amount of such bonds then outstanding shall exceed the aggregate Revolving Credit Exposures (as defined in the Thirty-first Supplemental Indenture), the aggregate principal amount of such bonds shall be deemed to have been reduced by the amount of such excess.

The principal hereof may be declared or may become due prior to the stated maturity date on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a Completed Default as in the Mortgage provided.

This bond is non-transferable except as required to effect transfer to any successor administrative agent under the Credit Agreement, any such transfer to be made at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this bond, together with a written instrument of transfer whenever required by the Company duly executed by the registered owner or by its duly authorized attorney, and, thereupon, a new fully registered bond of the same series for a like principal amount will be issued to the transferee in exchange herefor as provided in the Mortgage. The Company and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment and for all other purposes.

In the manner prescribed in the Mortgage, any bonds of this series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, are exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

No recourse shall be had for the payment of the principal of or interest on this bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors being released by the holder or owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

This bond shall not become obligatory until Citibank, N.A., the Trustee under the Mortgage, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, AVISTA CORPORATION has caused this bond to be signed in its corporate name by its President or one of its Vice Presidents by his signature or a facsimile thereof, and its corporate seal to be impressed or imprinted hereon and attested by its Corporate Secretary or one of its Assistant Corporate Secretaries by his signature or a facsimile thereof.

Dated:

AVISTA CORPORATION

By: _____

ATTEST: _____

TRUSTEE'S CERTIFICATE

This bond is one of the bonds, of the series herein designated, described or provided for in the within-mentioned Mortgage.

CITIBANK, N.A.
Trustee

By _____
Authorized Officer

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

[please insert social security or other identifying number of assignee]

[please print or typewrite name and address of assignee]

the within bond of AVISTA CORPORATION and does hereby irrevocably constitute and appoint _____, Attorney, to transfer said bond on the books of the within-mentioned Company, with full power of substitution in the premises.

Dated: _____

Notice: The signature to this assignment must correspond with the name as written upon the face of the bond in every particular without alteration or enlargement or any change whatsoever.

AVISTA CORPORATION

TO

CITIBANK, N.A.

*As Successor Trustee under
Mortgage and Deed of Trust,
dated as of June 1, 1939*

_____ **Supplemental Indenture**

*Providing among other things for a series of bonds designated
"First Mortgage Bonds, _____% Series due _____"
Due _____, _____*

Dated as of _____ 1, _____

_____ SUPPLEMENTAL INDENTURE

THIS INDENTURE, dated as of the 1st day of _____, between AVISTA CORPORATION (formerly known as The Washington Water Power Company), a corporation of the State of Washington, whose post office address is 1411 East Mission Avenue, Spokane, Washington 99202 (the "Company"), and CITIBANK, N.A., formerly First National City Bank (successor by merger to First National City Trust Company, formerly City Bank Farmers Trust Company), a national banking association incorporated and existing under the laws of the United States of America, whose post office address is 111 Wall Street, New York, New York 10043 (the "Trustee"), as Trustee under the Mortgage and Deed of Trust, dated as of June 1, 1939 (the "Original Mortgage"), executed and delivered by the Company to secure the payment of bonds issued or to be issued under and in accordance with the provisions thereof, this indenture (the "_____ Supplemental Indenture") being supplemental to the Original Mortgage, as heretofore supplemented and amended.

WHEREAS pursuant to a written request of the Company made in accordance with Section 103 of the Original Mortgage, Francis M. Pitt (then Individual Trustee under the Mortgage, as supplemented) ceased to be a trustee thereunder on July 23, 1969, and all of his powers as Individual Trustee have devolved upon the Trustee and its successors alone; and

WHEREAS by the Original Mortgage the Company covenanted that it would execute and deliver such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Original Mortgage and to make subject to the lien of the Original Mortgage any property thereafter acquired intended to be subject to the lien thereof; and

WHEREAS the Company has heretofore executed and delivered, in addition to the Original Mortgage, the indentures supplemental thereto, and has issued the series of bonds, set forth in Exhibit A hereto (the Mortgage, as supplemented and amended by the First through _____ Supplemental Indentures being herein sometimes called collectively, the "Mortgage"); and

WHEREAS the Original Mortgage and the First through _____ Supplemental Indentures have been appropriately filed or recorded in various official records in the States of Washington, California, Idaho, Montana and Oregon, as set forth in the First through _____ Supplemental Indentures; and

WHEREAS the _____ Supplemental Indenture, dated as of _____, has been appropriately filed or recorded in the various official records in the States of Washington, California, Idaho, Montana and Oregon set forth in Exhibit B hereto; and

WHEREAS for the purpose of confirming or perfecting the lien of the Mortgage on certain of its properties, the Company has heretofore executed and delivered a Short Form Mortgage and Security Agreement, in multiple counterparts dated as of various dates in 1992, and such instrument has been appropriately filed or recorded in the various official records in the States of California, Montana and Oregon; and

WHEREAS for the purpose of confirming or perfecting the lien of the Mortgage on certain of its properties, the Company has heretofore executed and delivered an Instrument of Further Assurance dated as of December 15, 2001, and such instrument has been appropriately filed or recorded in the various official records in the States of Washington, California, Idaho, Montana and Oregon; and

WHEREAS in addition to the property described in the Mortgage the Company has acquired certain other property, rights and interests in property; and

WHEREAS Section 8 of the Original Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of the coupons to be attached to coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company; that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof; and that such series may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS Section 120 of the Original Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein, or in any supplemental indenture, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

WHEREAS the Company now desires to create a new series of bonds; and

WHEREAS the execution and delivery by the Company of this _____ Supplemental Indenture and the terms of the bonds of the _____ Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate Resolutions of said Board of Directors; and all things necessary to make this _____ Supplemental Indenture a valid, binding and legal instrument have been performed;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That the Company, in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, hereby confirms the estate, title and rights of the Trustee (including without limitation the lien of the Mortgage on the property of the Company subjected thereto, whether now owned or hereafter acquired) held as security for the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage according to their tenor and effect and the performance of all the provisions of the Mortgage and of such bonds, and, without limiting the generality of the foregoing, hereby confirms the grant, bargain, sale, release, conveyance, assignment, transfer, mortgage, pledge, setting over and confirmation unto the Trustee, contained in the Mortgage, of all the following described properties of the Company, whether now owned or hereafter acquired, namely:

All of the property, real, personal and mixed, of every character and wheresoever situated (except any hereinafter or in the Mortgage expressly excepted) which the Company now owns or, subject to the provisions of Section 87 of the Mortgage, may hereafter acquire prior to the satisfaction and discharge of the Mortgage, as fully and completely as if herein or in the Mortgage specifically described, and including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in Mortgage) all lands, real estate, easements, servitudes, rights of way and leasehold and other interests in real estate; all rights to the use or appropriation of water, flowage rights, water storage rights, flooding rights, and other rights in respect of or relating to water; all plants for the generation of electricity, power houses, dams, dam sites, reservoirs, flumes, raceways, diversion works, head works, waterways, water works, water systems, gas plants, steam heat plants, hot water plants, ice or refrigeration plants, stations, substations, offices, buildings and other works and structures and the equipment thereof and all improvements, extensions and additions thereto; all generators, machinery, engines, turbines, boilers, dynamos, transformers, motors, electric machines, switchboards, regulators, meters, electrical and mechanical appliances, conduits, cables, pipes and mains; all lines and systems for the transmission and distribution of electric current, gas, steam heat or water for any purpose; all towers, mains, pipes, poles, pole lines, conduits, cables, wires, switch racks, insulators, compressors, pumps, fittings, valves and connections; all motor vehicles and automobiles; all tools, implements, apparatus, furniture, stores, supplies and equipment; all franchises (except the Company's franchise to be a corporation), licenses, permits, rights, powers and privileges; and (except as hereinafter or in the Mortgage expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature.

The property so conveyed or intended to be so conveyed under the Mortgage shall include, but shall not be limited to, the property set forth in Exhibit C hereto, the particular description of which is intended only to aid in the identification thereof and shall not be construed as limiting the force, effect and scope of the foregoing.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Original Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

THE COMPANY HEREBY CONFIRMS that, subject to the provisions of Section 87 of the Original Mortgage, all the property, rights, and franchises acquired by the Company after the date thereof (except any hereinbefore or hereinafter or in the Mortgage expressly excepted) are and shall be as fully embraced within the lien of the Mortgage as if such property, rights and franchises had been owned by the Company at the date of the Original Mortgage and had been specifically described therein.

PROVIDED THAT the following were not and were not intended to be then or now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed under the Mortgage and were, are and shall be expressly excepted from the lien and operation namely: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, paid, deposited or delivered under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business or for consumption in the operation of any properties of the Company; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; (4) electric energy and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; and (5) any property heretofore released pursuant to any provisions of the Mortgage and not heretofore disposed of by the Company; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event that the Trustee or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XII of the Original Mortgage by reason of the occurrence of a Completed Default as defined in said Article XII.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company in the Mortgage as aforesaid, or intended so to be, unto the Trustee, and its successors, heirs and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as set forth in the Mortgage, this _____ Supplemental Indenture being supplemental to the Mortgage.

AND IT IS HEREBY FURTHER CONFIRMED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage shall affect and apply to the property in the Mortgage described and conveyed, and to the estates, rights, obligations and duties of the Company and the Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors in the trust, in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Original Mortgage, and had been specifically and at length described in and conveyed to said Trustee by the Original Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustee and its successor or successors in such trust under the Mortgage, as follows:

ARTICLE I

_____ Series of Bonds

SECTION 1. (I) There shall be a series of bonds designated "First Mortgage Bonds, ____% Series due _____" (herein sometimes referred to as the "bonds of the _____ Series" or the "Bonds"), and the form thereof, which has been established by Resolution of the Board of Directors of the Company, is set forth on Exhibit D hereto.

(II) Bonds of the _____ Series shall mature on _____, shall be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof), shall be dated as in Section 10 of the Mortgage provided and shall bear interest at the rate of ____% per annum, the first interest payment to be made _____, for the period from _____ to _____, with subsequent interest payments to be made semi-annually on _____ and _____ of each year (each such date being hereinafter called an "Interest Payment Date") and at Maturity (as hereinafter defined). The principal of and premium, if any, and interest on each bond of the _____ Series payable at Maturity shall be payable upon presentation thereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency as at the time of payment is legal tender for public and private debts. The interest on each bond of the _____ Series (other than interest payable at Maturity) shall be payable by check, in similar coin or currency, mailed to the registered owner thereof as of the close of business on _____ or _____, as the case may be, next preceding each Interest Payment Date (each such date being herein called a "Record Date"); provided, however, that if such registered owner shall be a securities depository, such payment may be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such registered owner.

As used herein, the term "Maturity" shall mean, with respect to any bond of the _____ Series, the date on which the principal of such bond becomes due and payable, whether on the Stated Maturity Date, upon redemption or otherwise.

(III) Bonds of the _____ Series shall be redeemable either at the option of the Company or pursuant to the requirements of the Mortgage, as supplemented, in whole at any time, or in part from time to time, prior to maturity, upon notice mailed as provided in Section 52 of the Mortgage, at the following general redemption prices, expressed in percentages of the principal amount to be redeemed:

General Redemption Prices

If redeemed during 12 month period ending December 31,

<u>Year</u>	<u>Redemption Price</u>	<u>Year</u>	<u>Redemption Price</u>
	%		%

in each case together with accrued interest to the date fixed for redemption; provided, however, that no bonds of the _____ Series shall be redeemable at the general redemption prices prior to _____, with borrowed funds, or in anticipation of funds to be borrowed, having an interest cost (calculated in accordance with acceptable financial practice) of less than ____% per annum.

(IV) Bonds of the _____ Series shall also be redeemable in whole at any time, or in part from time to time, prior to maturity, upon like notice, by the application (either at the option of the Company or pursuant to the requirements of the Mortgage) of cash deposited with the Trustee pursuant to the provisions of Section 64 of the Mortgage or with the Proceeds of Released Property (as defined in Article II of the first Supplemental Indenture, dated as of October 1, 1952) at the following special redemption prices, expressed in percentages of the principal amount of the bonds to be redeemed:

Special Redemption Prices			
If redeemed during 12 month period ending December 31,			
Year	Redemption Price	Year	Redemption Price
	%		%

in each case together with accrued interest to the date fixed for redemption.

(V) At the option of the registered owner, any bonds of the _____ Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

Bonds of the _____ Series shall be transferable, upon the surrender thereof for cancellation, together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

Upon any exchange or transfer of bonds of the _____ Series, the Company may make a charge therefore sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12, of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the _____ Series.

Upon delivery of this _____ Supplemental Indenture, bonds of the _____ Series in the aggregate principal amount of \$_____ are to be issued forthwith and will be Outstanding, in addition to \$_____ aggregate principal amount of bonds of prior series Outstanding at the date of delivery of this _____ Supplemental Indenture.

ARTICLE II
Miscellaneous Provisions

SECTION 1. The terms defined in the Original Mortgage shall, for all purposes of this _____ Supplemental Indenture, have the meanings specified in the Original Mortgage.

SECTION 2. The Trustee hereby confirms its acceptance of the trusts in the Original Mortgage declared, provided, created or supplemented and agrees to perform the same upon the terms and conditions in the Original Mortgage set forth, including the following:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this _____ Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. Each and every term and condition contained in Article XVI of the Original Mortgage, shall apply to and form part of this _____ Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this _____ Supplemental Indenture.

SECTION 3. Whenever in this _____ Supplemental Indenture either of the parties hereto is named or referred to, this shall, subject to the provisions of Articles XV and XVI of the Original Mortgage be deemed to include the successors and assigns of such party, and all the covenants and agreements in this _____ Supplemental Indenture contained by or on behalf of the Company, or by or on behalf of the Trustee, or either of them, shall, subject as aforesaid, bind and inure to the respective benefits of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 4. Nothing in this _____ Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy or claim under or by reason of this _____ Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this _____ Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.

SECTION 5. This _____ Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6. The titles of the several Articles of this _____ Supplemental Indenture shall not be deemed to be any part thereof.

IN WITNESS WHEREOF, on the __ day of _____, _____AVISTA CORPORATION has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Corporate Secretary or one of its Assistant Corporate Secretaries for and in its behalf, all in The City of Spokane, Washington, as of the day and year first above written; and on the __ day of _____, _____ CITIBANK, N.A., has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents or one of its Senior Trust Officers or one of its Trust Officers and its corporate seal to be attested by one of its Vice Presidents or one of its Trust Officers, all in The City of New York, New York, as of the day and year first above written.

AVISTA CORPORATION

By _____
Vice President

Attest:

Corporate Secretary

Executed, sealed and delivered by AVISTA CORPORATION in the presence of:

By _____

Attest:

Executed, sealed and delivered by CITIBANK, N.A., as trustee.
in the presence of:

STATE OF WASHINGTON)
) ss.:
COUNTY OF SPOKANE)

On the __ day of _____, before me personally appeared _____, to me known to be a Vice President of AVISTA CORPORATION, one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

On the __ day of _____, before me, a Notary Public in and for the State and County aforesaid, personally appeared _____, known to me to be a Vice President of AVISTA CORPORATION, one of the corporations that executed the within and foregoing instrument and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the __ day of _____, before me personally appeared _____, to me known to be a _____ of CITIBANK, N.A., one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

On the __ day of _____, before me, a Notary Public in and for the State and County aforesaid, personally appeared _____, known to me to be a _____ of CITIBANK, N.A., one of the corporations that executed the within and foregoing instrument and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public

**MORTGAGE, SUPPLEMENTAL INDENTURES
AND SERIES OF BONDS**

MORTGAGE OR SUPPLEMENTAL INDENTURE	DATED AS OF	SERIES		PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
		NO.	DESIGNATION		
Original	June 1, 1939	1	3-1/2% Series due 1964	\$ 22,000,000	None
First	October 1, 1952	2	3-3/4% Series due 1982	30,000,000	None
Second	May 1, 1953	3	3-7/8% Series due 1983	10,000,000	None
Third	December 1, 1955		None		
Fourth	March 15, 1957		None		
Fifth	July 1, 1957	4	4-7/8% Series due 1987	30,000,000	None
Sixth	January 1, 1958	5	4-1/8% Series due 1988	20,000,000	None
Seventh	August 1, 1958	6	4-3/8% Series due 1988	15,000,000	None
Eighth	January 1, 1959	7	4-3/4% Series due 1989	15,000,000	None
Ninth	January 1, 1960	8	5-3/8% Series due 1990	10,000,000	None
Tenth	April 1, 1964	9	4-5/8% Series due 1994	30,000,000	None
Eleventh	March 1, 1965	10	4-5/8% Series due 1995	10,000,000	None
Twelfth	May 1, 1966		None		
Thirteenth	August 1, 1966	11	6 % Series due 1996	20,000,000	None
Fourteenth	April 1, 1970	12	9-1/4% Series due 2000	20,000,000	None
Fifteenth	May 1, 1973	13	7-7/8% Series due 2003	20,000,000	None
Sixteenth	February 1, 1975	14	9-3/8% Series due 2005	25,000,000	None
Seventeenth	November 1, 1976	15	8-3/4% Series due 2006	30,000,000	None
Eighteenth	June 1, 1980		None		
Nineteenth	January 1, 1981	16	14-1/8% Series due 1991	40,000,000	None
Twentieth	August 1, 1982	17	15-3/4% Series due 1990-1992	60,000,000	None
Twenty-First	September 1, 1983	18	13-1/2% Series due 2013	60,000,000	None
Twenty-Second	March 1, 1984	19	13-1/4% Series due 1994	60,000,000	None
Twenty-Third	December 1, 1986	20	9-1/4% Series due 2016	80,000,000	None
Twenty-Fourth	January 1, 1988	21	10-3/8% Series due 2018	50,000,000	None
Twenty-Fifth	October 1, 1989	22	7-1/8% Series due 2013	66,700,000	None
		23	7-2/5% Series due 2016	17,000,000	None
Twenty-Sixth	April 1, 1993	24	Secured Medium-Term Notes, Series A (\$250,000,000 authorized)	250,000,000	\$129,500,000
Twenty-Seventh	January 1, 1994	25	Secured Medium-Term Notes, Series B (\$250,000,000 authorized)	161,000,000	74,000,000
Twenty-Eighth	September 1, 2001	26	Collateral Series due 2002	220,000,000	None
Twenty-Ninth	December 1, 2001	27	7.75% Series due 2007	150,000,000	150,000,000
Thirtieth	May 1, 2002	28	Collateral Series due 2003	225,000,000	None
Thirty-first	May 1, 2003	29	Collateral Series due 2004	245,000,000	245,000,000

**FILING AND RECORDING OF
SUPPLEMENTAL INDENTURE
FILING IN STATE OFFICES**

<u>State</u>	<u>Office of</u>	<u>Date</u>	<u>Financing Statement Document Number</u>
Washington	Secretary of State		
Idaho	Secretary of State		
Montana	Secretary of State		
Oregon	Secretary of State		
California	Secretary of State		

RECORDING IN COUNTY OFFICES

<u>County</u>	<u>Office of</u>	<u>Real Estate Mortgage Records</u>				<u>Financing Statement Document Number</u>
		<u>Date</u>	<u>Document Number</u>	<u>Book</u>	<u>Page</u>	
<u>Washington</u>						
Adams	Auditor					
Asotin	Auditor					
Benton	Auditor					
Douglas	Auditor					
Ferry	Auditor					
Franklin	Auditor					
Garfield	Auditor					
Grant	Auditor					
Grays Harbor	Auditor					
Klickitat	Auditor					
Lewis	Auditor					
Lincoln	Auditor					
Pend Oreille	Auditor					
Skamania	Auditor					
Spokane	Auditor					
Stevens	Auditor					
Thurston	Auditor					
Whitman	Auditor					
<u>California</u>						
El Dorado	Recorder					
<u>Idaho</u>						
Benewah	Recorder					
Bonner	Recorder					
Boundary	Recorder					

RECORDING IN COUNTY OFFICES

County	Office of	Real Estate Mortgage Records				Financing Statement Document Number
		Date	Document Number	Book	Page	
Clearwater	Recorder					
Idaho	Recorder					
Kootenai	Recorder					
Latah	Recorder					
Lewis	Recorder					
Nez Perce	Recorder					
Shoshone	Recorder					
<u>Montana</u>						
Big Horn	Clerk & Recorder					
Broadwater	Clerk & Recorder					
Golden Valley	Clerk & Recorder					
Meagher	Clerk & Recorder					
Mineral	Clerk & Recorder					
Rosebud	Clerk & Recorder					
Sanders	Clerk & Recorder					
Stillwater	Clerk & Recorder					
Treasure	Clerk & Recorder					
Wheatland	Clerk & Recorder					
Yellowstone	Clerk & Recorder					
<u>Oregon</u>						
Douglas	Recorder					
Jackson	Recorder					
Josephine	Recorder					
Klamath	Recorder					
Union	Recorder					
Wallowa	Recorder					

PROPERTY ADDITIONS

C-1

(Form of Bond)

This bond is subject to restrictions on transfer,
as hereinafter set forth

CUSIP _____

AVISTA CORPORATION

First Mortgage Bond,
_____ % Series due _____

REGISTERED
NO. _____

REGISTERED
\$ _____

AVISTA CORPORATION, a corporation of the State of Washington (hereinafter called the Company), for value received, hereby promises to pay to
, or registered assigns, on _____,

DOLLARS

and to pay the registered owner hereof interest thereon from _____ semi-annually in arrears on _____ and _____ in each year (each such date being hereinafter called an "Interest Payment Date"), commencing _____ and at Maturity (as hereinafter defined), at the rate of _____ per centum (____%) per annum computed on the basis of a 360-day year consisting of twelve 30-day months, until the Company's obligation with respect to the payment of such principal shall have been discharged. The principal of and premium, if any, and interest on this bond payable at Maturity shall be payable upon presentation hereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. The interest on this bond (other than interest payable at Maturity) shall be paid by check, in the similar coin or currency, mailed to the registered owner hereof as of the close of business on the _____ or _____, as the case may be, next preceding each Interest Payment Date (each such date being herein called a "Record Date"); provided, however, that if such registered owner shall be a securities depository, such payment shall be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such registered owner. Interest payable at Maturity shall be paid to the person to whom principal shall be paid. As used herein, the term "Maturity" shall mean the date on which the principal of this bond becomes due and payable, whether at stated maturity, upon redemption or acceleration, or otherwise.

This bond is one of an issue of bonds of the Company issuable in series and is one of a series known as its First Mortgage Bonds, ____% Series due _____, all bonds of all such issue of series being issued and issuable under and equally secured (except insofar as any sinking or other fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for the bonds of any particular series) by a Mortgage and Deed of Trust, dated as of June 1, 1939, executed by the Company (formerly known as The Washington Water Power Company) to City Bank Farmers Trust Company and Ralph E. Morton, as Trustees (Citibank, N.A., successor Trustee to both said Trustees). Such mortgage and deed of trust has been amended and supplemented by various supplemental indentures, including the _____ Supplemental Indenture, dated as of _____ (the “_____ Supplemental Indenture”) and, as so amended and supplemented, is herein called the “Mortgage”. Reference is made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds and of the Trustee in respect thereof, the duties and immunities of the Trustee and the terms and conditions upon which the bonds are and are to be secured and the circumstances under which additional bonds may be issued. If there shall be a conflict between the terms of this bond and the provisions of the Mortgage, the provisions of the Mortgage shall control to the extent permitted by law. The holder of this bond, by its acceptance hereof, shall be deemed to have consented and agreed to all of the terms and provisions of the Mortgage and, further, in the event that such holder shall not be the sole beneficial owner of this bond, shall be deemed to have agreed to use all commercially reasonable efforts to cause all direct and indirect beneficial owners of this bond to have knowledge of the terms and provisions of the Mortgage and of this bond and to comply therewith, including particularly, but without limitation, any provisions or restrictions in the Mortgage regarding the transfer or exchange of such beneficial interests and any legend set forth on this bond.

The Mortgage may be modified or altered by affirmative vote of the holders of at least 60% in principal amount of the bonds outstanding under the Mortgage, considered as one class, or, if the rights of one or more, but less than all, series of bonds then outstanding are to be affected, then such modification or alteration may be effected with the affirmative vote only of 60% in principal amount of the bonds outstanding of the series so to be affected, considered as one class, and, furthermore, for limited purposes, the Mortgage may be modified or altered without any consent or other action of holders of any series of bonds. No modification or alteration shall, however, permit an extension of the Maturity of the principal of, or interest on, this bond or a reduction in such principal or the rate of interest hereon or any other modification in the terms of payment of such principal or interest or the creation of any lien equal or prior to the lien of the Mortgage or deprive the holder of a lien on the mortgaged and pledged property without the consent of the holder hereof.

The principal hereof may be declared or may become due prior to the stated maturity date on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a completed default as in the Mortgage provided.

As provided in the Mortgage and subject to certain limitations therein set forth, this bond or any portion of the principal amount hereof will be deemed to have been paid if there has been irrevocably deposited with the Trustee moneys or direct obligations of or obligations guaranteed by the United States of America, the principal of and interest on which when due, and without regard to any reinvestment thereof, will provide moneys which, together with moneys so deposited, will be sufficient to pay when due the principal of and premium, if any, and interest on this bond when due.

The Mortgage contains terms, provisions and conditions relating to the consolidation or merger of the Company with or into, and the conveyance or other transfer, or lease, of assets to, another Corporation and to the assumption by such other Corporation, in certain circumstances, of all of the obligations of the Company under the Mortgage and on the bonds secured thereby.

In the manner prescribed in the Mortgage, this bond is transferable by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this bond, together with a written instrument of transfer whenever required by the Company duly executed by the registered owner or by its duly authorized attorney, and, thereupon, a new fully registered bond of the same series for a like principal amount will be issued to the transferee in exchange herefor as provided in the Mortgage. The Company and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment and for all other purposes.

In the manner prescribed in the Mortgage, any bonds of this series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, are exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

[IF NOT SUBJECT TO REDEMPTION]

[The bonds of this series are not subject to redemption prior to the stated maturity date thereof.]

[IF SUBJECT TO REDEMPTION]

[The bonds of this series shall be redeemable either at the option of the Company or pursuant to the requirements of the Mortgage, in whole at any time, or in part from time to time, prior to maturity, upon notice mailed as provided in Section 52 of the Mortgage, at the following general redemption prices, expressed in percentages of the principal amount to be redeemed:

General Redemption Prices

If redeemed during 12 month period ending December 31,

<u>Year</u>	<u>Redemption Price</u>	<u>Year</u>	<u>Redemption Price</u>
	%		%

in each case together with accrued interest to the date fixed for redemption; [provided, however, that no bonds of this series shall be redeemable at the general redemption prices prior to _____, with borrowed funds, or in anticipation of funds to be borrowed, having an interest cost (calculated in accordance with acceptable financial practice) of less than ____% per annum.]]

[The bonds of this series shall also be redeemable in whole at any time, or in part from time to time, prior to maturity, upon like notice, by the application (either at the option of the Company or pursuant to the requirements of the Mortgage) of cash deposited with the Trustee pursuant to the provisions of Section 64 of the Mortgage or with the Proceeds of Released Property (as defined in Article II of the first Supplemental Indenture, dated as of October 1, 1952) at the following special redemption prices, expressed in percentages of the principal amount of the bonds to be redeemed:

Special Redemption Prices

If redeemed during 12 month period ending December 31,

<u>Year</u>	<u>Redemption Price</u>	<u>Year</u>	<u>Redemption Price</u>
	%		%

in each case together with accrued interest to the date fixed for redemption.]

No recourse shall be had for the payment of the principal of or interest on this bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors being released by the holder or owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

This bond shall not become obligatory until Citibank, N.A., the Trustee under the Mortgage, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, AVISTA CORPORATION has caused this bond to be signed in its corporate name by its President or one of its Vice Presidents by his signature or a facsimile thereof, and its corporate seal to be impressed or imprinted hereon and attested by its Corporate Secretary or one of its Assistant Corporate Secretaries by his signature or a facsimile thereof.

Dated:

AVISTA CORPORATION

By: _____

ATTEST: _____

TRUSTEE'S CERTIFICATE

This bond is one of the bonds, of the series herein designated, described or provided for in the within-mentioned Mortgage.

CITIBANK, N.A.
Trustee

By _____

Authorized Officer

This global bond is held by Cede & Co., as nominee for The Depository Trust Company (The "Depository") for the benefit of the beneficial owners hereof. This bond may not be transferred, nor may any purported transfer be registered, except that (i) this bond may be transferred in whole, and appropriate registration of transfer effected, if such transfer is by Cede & Co., as nominee for the Depository, to the Depository, or by the Depository to another nominee thereof, or by any nominee of the Depository to any other nominee thereof, or by the Depository or any nominee thereof to any successor bonds depository or any nominee thereof; and (ii) this bond may be transferred, and appropriate registration of transfer effected, to the beneficial holders hereof, and thereafter shall be transferable without restrictions (except as provided in the preceding paragraph) if: (A) the Depository, or any successor securities depository, shall have notified the Company and the Trustee that (I) it is unwilling or unable to continue to act as securities depository with respect to the bonds or (II) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the identity of a successor securities depository with respect to the bonds; or (B) the Company shall have delivered to the Trustee a written order to the effect that the bonds shall be so transferable on and after a date specified therein.

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

[please insert social security or other identifying number of assignee]

[please print or typewrite name and address of assignee]

the within bond of AVISTA CORPORATION and does hereby irrevocably constitute and appoint _____, Attorney, to transfer said bond on the books of the within-mentioned Company, with full power of substitution in the premises.

Dated: _____

Notice: The signature to this assignment must correspond with the name as written upon the face of the bond in every particular without alteration or enlargement or any change whatsoever.

AVISTA CORPORATION

OFFICER'S CERTIFICATE

(Under Section 301 of the Indenture,
dated as of April 1, 1998)

Establishing Series of Securities Designated
_____, Series _____

_____, _____

AVISTA CORPORATION

OFFICER'S CERTIFICATE

(Under Section 301 of the Indenture,
dated as of April 1, 1998)

I, _____, a _____ of AVISTA CORPORATION (the "Company"), in accordance with Section 301 of the Indenture, dated as of April 1, 1998 (the "Indenture", capitalized terms used herein and not defined herein having the meanings specified in the Indenture), of the Company to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), trustee (the "Trustee"), do hereby establish a series of Securities having the terms and characteristics set forth in this Officer's Certificate.

PART I

Set forth below in this Part I are the terms and characteristics of the series of Securities established hereby referred to in clauses (a) through (t) in the second paragraph of Section 301 of the Indenture (the lettered clauses set forth herein corresponding to such clauses in said Section 301).

(a) the title of the Securities of such series, being Series No. __ under the Indenture, shall be "_____, Series __" (the Securities of such series, for purposes of this Officer's Certificate, being sometimes hereinafter called the "Notes");

(b) the aggregate principal amount of Notes which may be authenticated and delivered under the Indenture shall not be limited;

(c) interest on the Notes shall be payable to the Person or Persons in whose names the Notes are registered at the close of business on the Regular Record Date for such interest, except as otherwise expressly provided in the form of [Fixed Rate] Note attached hereto and hereby authorized and approved;

(d) the principal of the Notes shall be payable on _____, _____;

(e) [provisions relating to interest rate(s) will be inserted here]

(f) the corporate trust office of JPMorgan Chase Bank in New York, New York shall be the place at which (i) the principal of, premium, if any, and interest, if any, on the Notes at Maturity shall be payable upon presentment and interest prior to Maturity shall be payable as specified in the form of Note attached hereto, (ii) registration of transfer of the Notes may be effected, (iii) exchanges of Notes may be effected and (iv) notices and demands to or upon the Company in respect of the Notes and the Indenture may be served; and JPMorgan Chase Bank shall be the Security Registrar and a Paying Agent for the Notes; *provided, however*, that the Company reserves the right to change, by one or more Officer's Certificates supplemental to this Officer's Certificate, any such place or the Security Registrar or such Paying Agent; and *provided, further*, that the Company reserves the right to designate, by one or more Officer's Certificates supplemental to this Officer's Certificate, its principal corporate office in Spokane, Washington as any such place or itself as the Security Registrar;

(g) [optional redemption provisions will be inserted here]

(h) [mandatory redemption provisions will be inserted here]

(i) the Notes shall be issued in denominations of \$1,000 and any integral multiple thereof;

(j) inapplicable;

(k) inapplicable;

(l) inapplicable;

(m) inapplicable;

(n) inapplicable;

(o) inapplicable;

(p) inapplicable;

(q) the Notes are initially to be issued in global form, registered in the name of Cede & Co., as nominee for The Depository Trust Company (the "Depository"). Such Notes shall not be transferable or exchangeable, nor shall any purported transfer be registered, except as follows:

(i) such Notes may be transferred in whole, and appropriate registration of transfer effected, if such transfer is by such nominee to the Depository, or by the Depository to another nominee thereof, or by any nominee of the Depository to any other nominee thereof, or by the Depository or any nominee thereof to any successor securities depository or any nominee thereof; and

(ii) such Notes may be exchanged for definitive Notes registered in the respective names of the beneficial holders thereof, and thereafter shall be transferable without restriction, if:

(A) the Depository, or any successor securities depository, shall have notified the Company and the Trustee that it is unwilling or unable to continue to act as securities depository with respect to such Notes and the Trustee shall not have been notified by the Company within ninety (90) days of the identity of a successor securities depository with respect to such Notes;

(B) the Company shall have delivered to the Trustee a Company Order to the effect that such Notes shall be so exchangeable on and after a date specified therein; or

(C) (I) an Event of Default shall have occurred and be continuing,

(II) the Trustee shall have given notice of such Event of Default pursuant to Section 802 of the Indenture and (III) there shall have been delivered to the Company and the Trustee an Opinion of Counsel to the effect that the interests of the beneficial owners of such Notes in respect thereof will be materially impaired unless such owners become Holders of definitive Notes;

it being understood that any such registration of transfer or exchange shall be effected in accordance with Section 305 of the Indenture;

(r) inapplicable;

(s) no service charge shall be made for the registration of transfer or exchange of the Notes; *provided, however*, that the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with such transfer or exchange; and

(t) [Section 113 of the Indenture shall apply to the Securities][the provisions of the Fixed Rate Note shall apply in lieu of the provisions of Section 113].

PART II

Set forth below in this Part II are additional terms of the series of Notes established hereby, as contemplated by clause (u) in the second paragraph of Section 301 of the Indenture.

(a) the Notes shall have such further terms as are set forth in the form(s) of Fixed Rate Note attached hereto;

(b) if the Company shall make any deposit of money and/or Government Obligations with respect to any Notes, or any portion of the principal amount thereof, as contemplated by Section 601 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 601 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

(i) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of the Notes, shall assume the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Government Obligations (meeting the requirements of Section 601), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Government Obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Notes or portions thereof, all in accordance with and subject to the provisions of said Section 601; *provided, however*, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing showing the calculation thereof (which opinion shall be obtained at the expense of the Company); or

(ii) an Opinion of Counsel to the effect that the Holders of such Notes, or portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected; and

(c) [Additional covenants will be inserted here]

IN WITNESS WHEREOF, I have executed this Officer's Certificate this __ day of _____, [2003].

Name:

Title:

(See legend at the end of this Security for restrictions on transfer and change of form)

AVISTA CORPORATION

_____, Series _____

Original Interest Accrual Date:
Stated Maturity:
Interest Rate:
Interest Payment Dates:
Regular Record Dates:
Other Provisions:

Redeemable: Yes ____ No ____
Initial Redemption Date:
Initial Redemption Price:
Reduction Percentage:
Redemption Limitation Date:

OID: Yes __ No __
Total Amount of OID (%):
Yield to Maturity (%):
Initial Accrual
Period OID (%):
(Constant - Yield Method)

This Security is not a Discount Security
within the meaning of the within-mentioned Indenture.

Principal Amount
\$

Registered No.
CUSIP

AVISTA CORPORATION, a corporation organized and existing under the laws of the State of Washington (herein called the "Company", which term includes any successor corporation under the Indenture referred to below), for value received, hereby promises to pay to

or registered assigns, the principal sum of

DOLLARS

on the Stated Maturity specified above, and to pay interest thereon from the Original Interest Accrual Date specified above or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on the Interest Payment Dates specified above in each year, commencing with the Interest Payment Date next succeeding the Original Interest Accrual Date specified above, and at Maturity, at the Interest Rate per annum specified above, until the principal hereof is paid or duly provided for. The interest so payable, and paid or duly provided for, on any Interest Payment Date shall, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date specified above (whether or not a Business Day) next preceding such Interest Payment Date. Notwithstanding the foregoing, (a) if the Original Interest Accrual Date of this Security is after a Regular Record Date and before the corresponding Interest Payment Date, interest so

payable for the period from and including the Original Interest Accrual Date to but excluding such Interest Payment Date shall be paid on the next succeeding Interest Payment Date to the Holder hereof on the related Regular Record Date; and (b) interest payable at Maturity shall be paid to the Person to whom principal shall be paid. Except as otherwise provided in said Indenture, any such interest not so paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Unpaid Interest to be fixed by the Trustee, notice of which shall be given to Holders of Securities of this series not less than 15 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of and premium, if any, on this Security and interest hereon at Maturity shall be made upon presentation of this Security at the Corporate Trust Office of The Chase Manhattan Bank in New York, New York, or at such other office or agency as may be designated for such purpose by the Company from time to time. Payment of interest on this Security (other than interest at Maturity) shall be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register, except that if such Person shall be a securities depository, such payment may be made by such other means in lieu of check, as shall be agreed upon by the Company, the Trustee and such Person. Payment of the principal of and premium, if any, and interest on this Security, as aforesaid, shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under and equally secured by an Indenture, dated as of April 1, 1998 (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Securities, being herein called the "Indenture"), between the Company and The Chase Manhattan Bank, trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of the Securities thereunder and of the terms and conditions upon which the Securities are, and are to be, authenticated and delivered and secured. The acceptance of this Security shall be deemed to constitute the consent and agreement by the Holder hereof to all terms and provisions of the Indenture. This Security is one of the series designated above.

If any Interest Payment Date, any Redemption Date or the Stated Maturity shall not be a Business Day (as hereinafter defined), payment of the amounts due on this Security on such date may be made on the next succeeding Business Day; and if such payment is made or duly provided for on such Business Day, no interest shall accrue on such amounts for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day.

If, as specified above, this Security is redeemable, this Security is subject to redemption at any time on or after the Initial Redemption Date specified above, as a whole or in part, at the election of the Company, at the applicable redemption price (as described below) plus accrued interest to the date fixed for redemption. Such redemption price shall be the Initial Redemption Price specified above for the twelve-month period commencing on the Initial Redemption Date and shall decline for the twelve-month period commencing on each anniversary of the Initial Redemption Date by a percentage of principal amount equal to the Reduction Percentage specified above until such redemption price is 100% of the principal amount of this Security to be redeemed.

Notwithstanding the foregoing, the Company may not, prior to the Redemption Limitation Date, if any, specified above, redeem this Security as contemplated above as a part of, or in anticipation of, any refunding operation by the application, directly or indirectly, of moneys borrowed having an effective interest cost to the Company (calculated in accordance with generally accepted financial practice) less than the effective interest cost to the Company (similarly calculated) of this Security.

[Insert provisions, if any, for redemption pursuant to a sinking fund or analogous provision or at the option of the Holder.]

Notice of redemption [(other than at the election of the Holder)] shall be given by mail to Holders of Securities, not less than 30 days nor more than 60 days prior the date fixed for redemption, all as provided in the Indenture. As provided in the Indenture, notice of redemption at the election of the Company as aforesaid may state that such redemption shall be conditional upon the receipt by the Trustee of money sufficient to pay the principal of and premium, if any and interest, if any, on this Security on or prior the date fixed for such redemption; a notice of redemption so conditioned shall be of no force or effect if such money is not so received and, in such event, the Company shall not be required to redeem this Security.

In the event of redemption of this Security in part only, a new Security or Securities of this series, of like tenor, for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, the principal of this Security may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under the Indenture, considered as one class; provided, however, that if there shall be Securities of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders if Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental indenture shall directly affect

the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Trustee to enter into one or more supplemental indentures for limited purposes without the consent of any Holders of Securities. The Indenture also contains provisions permitting the Holders of a majority in principal amount of the Securities then Outstanding, on behalf of the Holders of all Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange thereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in the Indenture and subject to certain limitations therein set forth, this Security or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and, at the election of the Company, the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with moneys so deposited, will be sufficient to pay when due the principal of and interest on this Security when due.

The Indenture contains terms, provisions and conditions relating to the consolidation or merger of the Company with or into, and the conveyance or other transfer, or lease, of assets to, another Person, to the assumption by such other Person, in certain circumstances, of all of the obligations of the Company under the Indenture and on the Securities and to the release and discharge of the Company, in certain circumstances, from such obligation.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the corporate trust office of JPMorgan Chase Bank in New York, New York, or such other office or agency as may be designated by the Company from time to time, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series of authorized denominations and of like tenor and aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only as registered Securities, without coupons, and in denominations of \$1,000 or any amount in excess thereof that is an integral multiple of \$1,000. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this Series are exchangeable for a like aggregate principal amount of Securities of the same series and Tranche, of any authorized denominations, as requested by the Holder surrendering the same, and of like tenor upon surrender of the Security or Securities to be exchanged at the corporate trust office of JPMorgan Chase Bank in New York, New York, or such other office or agency as may be designated by the Company from time to time.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due surrender of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes (subject to Section 307 of the Indenture), whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York, except to the extent that the Trust Indenture Act shall be applicable .

As used herein, "Business Day" means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in The City of New York, New York or other city in which is located any office or agency maintained for the payment of principal, premium, if any, or interest on this Security, are authorized or required by law, regulation or executive order to remain closed. All other terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

As provided in the Indenture, no recourse shall be had for the payment of the principal of or premium, if any, or interest on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under the Indenture, against, and no personal liability whatsoever shall attach to, or be incurred by, any incorporator, shareholder, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Securities are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of the Securities.

Unless the certificate of authentication hereon has been executed by the Trustee or an Authenticating Agent by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

AVISTA CORPORATION

By: _____
[Title]

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: _____

OR _____

as Trustee

as Trustee

By: _____
Authorized Officer

By: [_____],

As authenticating Agent

By: _____
Authorized Officer

This Security may not be transferred or exchanged, nor may any purported transfer be registered, except (i) this Security may be transferred in whole, and appropriate registration of transfer effected, if such transfer is by Cede & Co., as nominee for The Depository Trust Company (the "Depository"), to the Depository, or by the Depository to another nominee thereof, or by any nominee of the Depository to any other nominee thereof, or by the Depository or any nominee thereof to any successor securities depository or any nominee thereof; and (ii) this Security may be exchanged for definitive Securities registered in the respective names of the beneficial holders hereof, and thereafter shall be transferable without restrictions if: (A) the Depository, or any successor securities depository, shall have notified the Company and the Trustee that it is unwilling or unable to continue to act as securities depository with respect to the Securities and the Trustee shall not have been notified by the Company within ninety (90) days of the identity of a successor securities depository with respect to the Securities; (B) the Company shall have delivered to the Trustee a Company Order to the effect that the Securities shall be so exchangeable on and after a date specified therein; or (C)(1) an Event of Default shall have occurred and be continuing, (2) the Trustee shall have given notice of such Event of Default pursuant to Section 802 of the Indenture and (3) there shall have been delivered to the Company and the Trustee an Opinion of Counsel to the effect that the interests of the beneficial owners of the Securities in respect thereof will be materially impaired unless such owners become Holders of definitive Securities.

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

[please insert social security or other identifying number of assignee]

[please print or typewrite name and address of assignee]

the within Security of AVISTA CORPORATION and does hereby irrevocably constitute and appoint _____, Attorney, to transfer said Security on the books of the within-mentioned Company, with full power of substitution in the premises.

Dated: _____

Notice: The signature to this assignment must correspond with the name as written upon the face of the Security in every particular without alteration or enlargement or any change whatsoever.

[LETTERHEAD OF HELLER EHRMAN WHITE & MCAULIFFE LLP]

June 25, 2003

Avista Corporation
1411 East Mission Avenue
Spokane, WA 99202

**Re: Avista Corporation – Registration Statement on Form S-3
\$150,000,000 Debt Securities**

Ladies and Gentlemen:

We have acted as counsel to Avista Corporation, a Washington corporation (the “**Company**”), in connection with the proposed offering by the Company of secured debt securities (the “**Secured Debt Securities**”) under the Mortgage and Deed of Trust, dated as of June 1, 1939, as amended and supplemented (the “**Mortgage**”), from the Company to Citibank, N.A., as trustee, and unsecured debt securities (the “**Unsecured Debt Securities**”, and, together with the Secured Debt Securities, the “**Debt Securities**”) under the Indenture, dated as of April 1, 1998 (the “**Indenture**”), from the Company to JPMorgan Chase Bank, as trustee, to be issued and sold from time to time by the Company in one or more public offerings. The Debt Securities are to be issued in an aggregate principal amount of up to \$150,000,000, as contemplated in a Registration Statement on Form S-3 (the “**Registration Statement**”) of the Company proposed to be filed with the Securities and Exchange Commission on or about the date hereof under the Securities Act of 1933, as amended (the “**Securities Act**”), relating to such proposed offer.

I.

We have assumed the authenticity of all records, documents and instruments submitted to us as originals, the genuineness of all signatures, the legal capacity of natural persons and the conformity to the originals of all records, documents and instruments submitted to us as copies. We have based our opinion upon our review of the following records, documents, instruments and certificates and such additional certificates relating to factual matters as we have deemed necessary or appropriate for our opinion:

- (a) the Registration Statement;
- (b) the Restated Articles of Incorporation, as amended, of the Company certified by the Washington Secretary of State as of June 23, 2003, and certified to us by an officer of the Company as being complete and in full force and effect as of the date of this opinion;
- (c) the Bylaws of the Company certified by an officer of the Company as being complete and in full force and effect as of the date of this opinion;

- (d) a Certificate of Existence/Authorization relating to the Company and issued by the Washington Secretary of State, dated June 24, 2003;
- (e) records certified to us by an officer of the Company as constituting all records of proceedings and actions of the Company's board of directors relating to the transactions contemplated by the Registration Statement;
- (f) Decision No. 00-06-064, entered June 22, 2000, of the Public Utilities Commission of the State of California;
- (g) Default Order No. 4535, entered July 2, 1979, in Docket No. 6690 of the Public Service Commission of the State of Montana¹; and
- (h) a Certificate of an officer of the Company as to certain factual matters.

Notwithstanding any provisions of the Debt Securities or any other agreements or instruments examined for purposes of these opinions to the effect that such agreement or instrument reflects the entire understanding of the parties with respect to the matters described therein, the courts of the States of Washington may consider extrinsic evidence of the circumstances surrounding the entering into of such agreement to ascertain the intent of the parties in using the language employed in such agreement, regardless of whether or not the meaning of the language used in such agreement is plain and unambiguous on its face, and may determine that additional or supplementary terms can be incorporated into such agreement. We have not considered parol evidence in connection with the opinion set forth below.

II.

We have also assumed the following, without making any inquiry into the reasonableness or validity thereof:

- A. The applicable provisions of the Securities Act, the Trust Indenture Act of 1939, as amended, and the securities or blue sky laws of various states shall have been complied with.
- B. The Debt Securities will be duly executed, authenticated and delivered prior to their issuance as set forth in the Registration Statement and in accordance with the proceedings and actions of the Company's board of directors relating to the transactions contemplated by the Registration Statement.

¹ We have received and relied upon an officer's certificate certifying that at no time since the issuance of the MPSC's order have the Company's electric sales for ultimate use by Montana customers exceeded \$5,000,000 or 5% of the Company's revenue in any year.

- C. There are no facts or circumstances specifically relating to any parties other than the Company (the “**Other Parties**”) that might prevent the Other Parties from enforcing any of the rights to which our opinion relates.
- D. The Company will make appropriate filings and applications with the Washington Utilities and Transportation Commission, the Idaho Public Utilities Commission and the Public Utilities Commission of Oregon for authority to issue and sell the Debt Securities, each of such commissions will enter appropriate orders authorizing the issuance and sale by the Company of the Debt Securities and the Debt Securities will be issued and sold in accordance with all applicable terms, conditions, limitations or restrictions contained in such orders.

III.

We express no opinion as to:

- (a) The applicable choice of law rules that may affect the interpretation or enforcement of any of the Debt Securities.
- (b) Any securities, tax, anti-trust, land use, safety, environmental, hazardous materials, insurance company or banking laws, rules or regulations, or any laws, rules or regulations applicable to any of the Other Parties by virtue of their status as regulated entities, or whether governmental consents, approvals, authorizations, registrations, declarations or filings required in connection with the issuance and sale of the Debt Securities will be applied for, received or made.
- (c) The enforceability of any provision of the Debt Securities that relates to the choice of arbitration as a dispute resolution mechanism.
- (d) The effect on the obligations of the Company, and the Other Parties’ rights, under the Debt Securities of laws relating to fraudulent transfers and fraudulent obligations set forth in Sections 544 and 548 of the federal Bankruptcy Code or applicable state law.
- (e) The enforceability of any waiver of immunities contained in the Debt Securities.
- (f) The enforceability of any liquidated damages provisions contained in the Debt Securities.
- (g) The enforceability of any agreement or instrument (including the Mortgage and the Indenture), which is referred to in the Debt Securities.

This opinion is limited to (i) the federal laws of the United States of America, (ii) the laws of the State of Washington, and (iii) the statutes (and regulations promulgated thereunder) of the States of California, Idaho, Montana and Oregon pertaining to the regulation of public utilities in those

States. We disclaim any opinion as to the laws of any other jurisdiction. We further disclaim any opinion as to any statute, rule, regulation, ordinance, order or other promulgation of any regional or local governmental body or as to any related judicial or administrative opinion.

IV.

Based upon the foregoing and our examination of such questions of law as we have deemed necessary or appropriate for our opinion, and subject to the assumptions, limitations and qualifications expressed herein, it is our opinion that the Debt Securities, when issued and delivered as contemplated in the Registration Statement, will be legally issued and will be binding obligations of the Company, subject (i) to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws of general applicability relating to or affecting creditors' rights and (ii) to general principals of equity, whether such enforceability is considered in a proceeding in equity or at law.

V.

We further advise you that:

- A. As noted, the enforceability of the Debt Securities is subject to the effect of general principles of equity. These principles include, without limitation, concepts of commercial reasonableness, materiality and good faith and fair dealing. As applied to the Debt Securities, these principles will require the Other Parties to act reasonably, in good faith and in a manner that is not arbitrary or capricious in the administration and enforcement of the Debt Securities and will preclude the Other Parties from invoking penalties for defaults that bear no reasonable relation to the damage suffered or that would otherwise work a forfeiture.
- B. The enforceability of the Debt Securities is subject to the effects of (i) Section 62A.1-102 of Revised Code of Washington (the "**WA Code**"), which provides that obligations of good faith, diligence, reasonableness and care prescribed by the WA Code may not be disclaimed by agreement, although the parties may by agreement determine the standards by which the performance of such obligations is to be measured if those standards are not manifestly unreasonable, (ii) Section 62A.1-203 of the WA Code, which imposes an obligation of good faith in the performance or enforcement of a contract and (iii) legal principles under which a court may refuse to enforce, or may limit the enforcement of, a contract or any clause of a contract that a court finds as a matter of law to have been unconscionable at the time it was made.

VI.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to this firm, as counsel, in the Registration Statement and in the prospectus contained therein. In giving this consent, we do not thereby admit that we are within the category of

persons whose consent is required under Section 7 of the Securities Act or the rules and regulations promulgated thereunder.

VII.

The foregoing opinion is being delivered solely to you in connection with the filing of the Registration Statement and is solely for your benefit and the benefit of the holders of the Debt Securities. This opinion may not be relied on by you for any other purpose or by any other person for any purpose without our written consent. We disclaim any obligation to advise you of any change of law that occurs, or any facts of which we become aware, after the date of this opinion.

Very truly yours,

/s/ HELLER EHRMAN WHITE & MCAULIFFE LLP

DEWEY BALLANTINE LLP
1301 Avenue of the Americas
New York, New York 10019-6092
TEL 212 259-8000 FAX 212 259-6333

June 25, 2003

Avista Corporation
1411 East Mission Avenue
Spokane, WA 99202

Ladies and Gentlemen:

We are acting as counsel to Avista Corporation (the "Company") in connection with the proposed offering by the Company of secured debt securities (the "Secured Debt Securities") under the Mortgage and Deed of Trust, dated as of June 1, 1939, as amended and supplemented (the "Mortgage"), from the Company to Citibank, N.A., as trustee, and unsecured debt securities (the "Unsecured Debt Securities", and, together with the Secured Debt Securities, the "Debt Securities") under the Indenture, dated as of April 1, 1998 (the "Indenture"), from the Company to JPMorgan Chase Bank, as trustee, to be issued and sold from time to time by the Company in one or more public offerings. The Debt Securities are to be issued in an aggregate principal amount of up to \$150,000,000, as contemplated by the registration statement on Form S-3 proposed to be filed by the Company with the Securities and Exchange Commission on or about the date hereof for the registration of the Debt Securities under the Securities Act of 1933, as amended (the "Act"), said registration statement, as it may be amended, and including the exhibits thereto, being hereinafter called the "Registration Statement."

We have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of (i) the Registration Statement, (ii) the Mortgage and (iii) the Indenture. We have also examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion.

Based upon the foregoing and subject to the qualifications hereinafter expressed, we are of the opinion that when:

NEW YORK WASHINGTON, D.C. LOS ANGELES PALO ALTO HOUSTON AUSTIN
LONDON WARSAW BUDAPEST PRAGUE FRANKFURT

(a) the Washington Utilities and Transportation Commission, the Idaho Public Utilities Commission and the Public Utility Commission of Oregon shall have issued, pursuant to applications filed by the Company with said regulatory authorities, appropriate orders authorizing the issuance and sale by the Company of the Debt Securities (such matters having been addressed in the opinion of Heller Ehrman White & McAuliffe LLP, which is being filed as Exhibit 5(a) to the Registration Statement); and

(b) the Debt Securities have been issued, sold and paid for as contemplated in the aforesaid orders, in the authorizing resolutions of the Company's Board of Directors and in the Registration Statement,

then the Debt Securities will be legally issued and will be binding obligations of the Company.

The opinions expressed herein are limited to the laws of the State of New York and the federal law of the United States (excluding therefrom principles of conflicts of laws, state securities or blue sky laws). To the extent that such opinions relate to or are dependent upon matters governed by the laws of other States, we have assumed the legal conclusions set forth in the opinion of Heller Ehrman White & McAuliffe LLP, which is being filed as Exhibit 5(a) to the Registration Statement.

We hereby consent to the filing of this opinion as Exhibit 5(b) to the Registration Statement and to the references to our firm, as counsel, in the Registration Statement and in the prospectus contained therein. In giving the foregoing consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations promulgated thereunder.

Very truly yours,

/s/ DEWEY BALLANTINE LLP

DEWEY BALLANTINE LLP

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Avista Corporation on Form S-3 of our report dated February 7, 2003 (March 3, 2003, as to Note 28)(which report expresses an unqualified opinion and includes an explanatory paragraph regarding the adoption during 2002 of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, and the change in presentation of energy trading activities in accordance with Emerging Issues Task Force Issue No. 02-3), appearing in the Annual Report on Form 10-K of Avista Corporation for the year ended December 31, 2002 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Seattle, Washington

June 25, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM T-1**STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF
A CORPORATION DESIGNATED TO ACT AS TRUSTEE**CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF
A TRUSTEE PURSUANT TO SECTION 305(b)(2)

JPMORGAN CHASE BANK

(Exact name of trustee as specified in its charter)

New York
(State of incorporation
if not a national bank)13-4994650
(I.R.S. employer
identification No.)270 Park Avenue
New York, New York
(Address of principal executive offices)10017
(Zip Code)William H. McDavid
General Counsel
270 Park Avenue
New York, New York 10017
Tel: (212) 270-2611

(Name, address and telephone number of agent for service)

Avista Corporation

(exact name of obligor as specified in its charter)

WASHINGTON
(State or other jurisdiction of
incorporation or organization)91-0462470
(I.R.S. employer
identification No.)1411 East Mission Avenue
Spokane, Washington 99202
(Address of principal executive offices)99202
(Zip Code)

\$150,000,000 Avista Corporation Debt Securities(Title of the indenture securities)

GENERAL

Item 1. General Information.

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

New York State Banking Department, State House, Albany, New York 12110.

Board of Governors of the Federal Reserve System, Washington, D.C., 20551

Federal Reserve Bank of New York, District No. 2, 33 Liberty Street, New York, N.Y.

Federal Deposit Insurance Corporation, Washington, D.C., 20429.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with the Obligor and Guarantors.

If the obligor or any Guarantor is an affiliate of the trustee, describe each such affiliation.

None.

Items 3-15 are not applicable because, to the best of the Trustee's knowledge, the obligor is not in default under any Indenture for which the Trustee acts as Trustee.

Item 16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Restated Organization Certificate of the Trustee dated March 25, 1997 and the Certificate of Amendment dated October 22, 2001 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-76894, which is incorporated by reference.)
2. A copy of the Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference). On November 11, 2001, in connection with the merger of The Chase Manhattan Bank and Morgan Guaranty Trust Company of New York, the surviving corporation was renamed JPMorgan Chase Bank.
3. None, authorization to exercise corporate trust powers being contained in the documents identified above as Exhibits 1 and 2.
4. A copy of the existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 333-76894, which is incorporated by reference.)
5. Not applicable.
6. The consent of the Trustee required by Section 321(b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference). On November 11, 2001, in connection with the merger of The Chase Manhattan Bank and Morgan Guaranty Trust Company of New York, the surviving corporation was renamed JPMorgan Chase Bank.
7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.
8. Not applicable.
9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, JPMorgan Chase Bank, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York, on the day of , ,

JPMORGAN CHASE BANK

By _____ /s/ Mitch Gardner

Mitch Gardner
Vice President

Exhibit 7 to Form T-1

Bank Call Notice

RESERVE DISTRICT NO. 2
CONSOLIDATED REPORT OF CONDITION OF

JPMorgan Chase Bank
of 270 Park Avenue, New York, New York 10017
and Foreign and Domestic Subsidiaries,
a member of the Federal Reserve System,
at the close of business March 31, 2003, in
accordance with a call made by the Federal Reserve Bank of this
District pursuant to the provisions of the Federal Reserve Act.

Dollar Amounts
in Millions

ASSETS		
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		\$ 21,415
Interest-bearing balances		6,882
Securities:		
Held to maturity securities		334
Available for sale securities		80,076
Federal funds sold and securities purchased under agreements to resell		
Federal funds sold in domestic offices		14,044
Securities purchased under agreements to resell		73,060
Loans and lease financing receivables:		
Loans and leases held for sale		25,832
Loans and leases, net of unearned income	\$ 161,345	
Less: Allowance for loan and lease losses	3,823	
Loans and leases, net of unearned income and allowance		157,522
Trading Assets		189,427
Premises and fixed assets (including capitalized leases)		6,186
Other real estate owned		131
Investments in unconsolidated subsidiaries and associated companies		691
Customers' liability to this bank on acceptances outstanding		225
Intangible assets		
Goodwill		2,180
Other Intangible assets		3,314
Other assets		40,377
TOTAL ASSETS		\$ 621,696

LIABILITIES

Deposits	
In domestic offices	\$ 174,351
Noninterest-bearing	\$ 70,991
Interest-bearing	103,360
In foreign offices, Edge and Agreement subsidiaries and IBF's	125,789
Noninterest-bearing	\$ 7,531
Interest-bearing	118,258
Federal funds purchased and securities sold under agreements to repurchase:	
Federal funds purchased in domestic offices	5,929
Securities sold under agreements to repurchase	113,903
Trading liabilities	116,329
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	10,758
Bank's liability on acceptances executed and outstanding	225
Subordinated notes and debentures	8,306
Other liabilities	29,735
TOTAL LIABILITIES	585,325
Minority Interest in consolidated subsidiaries	97
EQUITY CAPITAL	
Perpetual preferred stock and related surplus	0
Common stock	1,785
Surplus (exclude all surplus related to preferred stock)	16,304
Retained earnings	17,228
Accumulated other comprehensive income	957
Other equity capital components	0
TOTAL EQUITY CAPITAL	36,274
TOTAL LIABILITIES, MINORITY INTEREST, AND EQUITY CAPITAL	\$ 621,696

I, Joseph L. Sclafani, E.V.P. & Controller of the above-named bank, do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true to the best of my knowledge and belief.

JOSEPH L. SCLAFANI

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

WILLIAM B. HARRISON, JR.)
HELENE L. KAPLAN) DIRECTORS
WILLIAM H. GRAY, III)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

**STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE**

Check if an application to determine eligibility of a Trustee
pursuant to Section 305 (b)(2) _____

CITIBANK, N.A.

(Exact name of trustee as specified in its charter)

13-5266470
(I.R.S. employer
identification no.)

399 Park Avenue, New York, New York
(Address of principal executive office)

10043
(Zip Code)

AVISTA CORPORATION

(Exact name of obligor as specified in its charter)

Washington
(State or other jurisdiction of incorporation or organization)

91-0462470
(I.R.S. employer identification no.)

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

99202-2600
(Zip Code)

Debt Securities
(Title of the indenture securities)

Item 1. General Information.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

<u>Name</u>	<u>Address</u>
Comptroller of the Currency	Washington, D.C.
Federal Reserve Bank of New York 33 Liberty Street New York, NY	New York, NY
Federal Deposit Insurance Corporation	Washington, D.C.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

Item 16. List of Exhibits.

List below all exhibits filed as a part of this Statement of Eligibility.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as exhibits hereto.

Exhibit 1—Copy of Articles of Association of the Trustee, as now in effect. (Exhibit 1 to T-1 to Registration Statement No. 2-79983)

Exhibit 2—Copy of certificate of authority of the Trustee to commence business. (Exhibit 2 to T-1 to Registration Statement No. 2-29577).

Exhibit 3—Copy of authorization of the Trustee to exercise corporate trust powers. (Exhibit 3 to T-1 to Registration Statement No. 2-55519)

Exhibit 4—Copy of existing By-Laws of the Trustee. (Exhibit 4 to T-1 to Registration Statement No. 33-34988)

Exhibit 5—Not applicable.

Exhibit 6—The consent of the Trustee required by Section 321(b) of the Trust Indenture Act of 1939. (Exhibit 6 to T-1 to Registration Statement No. 33-19227.)

Exhibit 7—Copy of the latest Report of Condition of Citibank, N.A. (as of March 31, 2003-attached)

Exhibit 8—Not applicable.

Exhibit 9—Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York and State of New York, on the 16th day of June, 2003.

CITIBANK, N.A.

By /s/Wafaa Orfy

Wafaa Orfy
Vice President

Exhibit 4—Copy of existing By-Laws of the Trustee. (Exhibit 4 to T-1 to Registration Statement No. 33-34988)

Exhibit 5—Not applicable.

Exhibit 6—The consent of the Trustee required by Section 321(b) of the Trust Indenture Act of 1939. (Exhibit 6 to T-1 to Registration Statement No. 33-19227.)

Exhibit 7—Copy of the latest Report of Condition of Citibank, N.A. (as of March 31, 2003-attached)

Exhibit 8—Not applicable.

Exhibit 9—Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York and State of New York, on the 16th day of June, 2003.

CITIBANK, N.A.

By _____

Wafaa Orfy
Vice President

Charter No. 1461
 Comptroller of the Currency
 Northeastern District
 REPORT OF CONDITION
 CONSOLIDATING
 DOMESTIC AND FOREIGN
 SUBSIDIARIES OF

Citibank, N.A. of New York in the State of New York, at the close of business on March 31, 2003, published in response to call made by Comptroller of the Currency, under Title 12, United States Code, Section 161. Charter Number 1461 Comptroller of the Currency Northeastern District.

	Thousands of dollars
ASSETS	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	\$ 11,366,000
Interest-bearing balances	15,861,000
Held-to-maturity securities	59,000
Available-for-sale securities	81,671,000
Federal funds sold in domestic Offices	5,636,000
Federal funds sold and securities purchased under agreements to resell	9,053,000
Loans and leases held for sale	3,456,000
Loans and lease financing receivables:	
Loans and Leases, net of unearned income	302,878,000
LESS: Allowance for loan and lease losses	8,127,000
Loans and leases, net of unearned income, allowance, and reserve	294,751,000
Trading assets	47,370,000
Premises and fixed assets (including capitalized leases)	3,902,000
Other real estate owned	106,000
Investments in unconsolidated subsidiaries and associated companies	700,000
Customers' liability to this bank on acceptances outstanding	999,000
Intangible assets: Goodwill	5,399,000
Intangible assets: Other intangible assets	4,906,000
Other assets	29,568,000
TOTAL ASSETS	\$ 514,803,000
LIABILITIES	
Deposits: In domestic offices	\$ 112,782,000
Noninterest-bearing	19,239,000
Interest-bearing	93,543,000
In foreign offices, Edge and Agreement subsidiaries, and IBFs	234,180,000
Noninterest-bearing	16,569,000
Interest-bearing	217,611,000

Federal funds purchased in domestic Offices	15,066,000
Federal funds purchased and securities sold under agreements to repurchase	12,746,000
Demand notes issued to the U.S. Treasury	0
Trading liabilities	29,412,000
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases): ss	29,761,000
Bank's liability on acceptances executed and outstanding	999,000
Subordinated notes and debentures	11,500,000
Other liabilities	27,247,000
TOTAL LIABILITIES	\$ 473,693,000
Minority interest in consolidated Subsidiaries	224,000
EQUITY CAPITAL	
Perpetual preferred stock and related surplus	1,950,000
Common stock	751,000
Surplus	22,115,000
Retained Earnings	16,910,000
Accumulated net gains (losses) on cash flow hedges	- 840,000
Other equity capital components	0
TOTAL EQUITY CAPITAL	\$ 40,886,000
TOTAL LIABILITIES AND EQUITY CAPITAL	\$ 514,803,000

I, Roger W. Trupin, Controller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

ROGER W. TRUPIN CONTROLLER

We, the undersigned directors, attest to the correctness of this Report of Condition. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

GRACE B. VOGEL

ALAN S. MACDONALD

WILLIAM R. RHODES

VICTOR J. MENEZES

DIRECTORS