

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): May 21, 2002

AVISTA CORPORATION

(Exact name of registrant as specified in its charter)

Washington

(State or other jurisdiction of
incorporation or organization)

1-3701

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

91-0462470

(Commission
File Number)

1411 East Mission Avenue, Spokane, Washington

(Address of principal executive offices)

99202-2600

(Zip Code)

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

509-489-0500

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

TABLE OF CONTENTS

[Item 5. Other Information](#)

[Item 7. Exhibits](#)

[SIGNATURES](#)

[EXHIBIT 99\(a\)](#)

[EXHIBIT 99\(b\)](#)

[EXHIBIT 99\(c\)](#)

[EXHIBIT 99\(d\)](#)

Item 5. Other Information

Settlement Stipulation on Remaining Issues of Washington Electric Rate Case

On May 31, 2002, Avista Corporation (Avista Corp. or the Company), the staff of the Washington Utilities and Transportation Commission (WUTC), the Public Counsel Section of the Washington Attorney General's Office and the Industrial Customers of Northwest Utilities reached a settlement stipulation resolving all remaining issues in Avista Corp.'s Washington electric rate case. The parties have requested that the WUTC approve the settlement to become effective by July 1, 2002. The Company's press release and the settlement stipulation are filed as exhibits 99(a) and 99(b), respectively.

The settlement provides for no incremental rate increase to Avista Corp.'s Washington electric customers. The settlement stipulation requests that WUTC-approved rate increases totaling 31.2 percent (25 percent surcharge approved in September 2001 and a 6.2 percent increase approved in March 2002) be restructured to reflect the Company's ongoing costs of providing service to customers. If approved by the WUTC, 19.3 percent (or \$45.7 million in annual revenues) of the rate increase would be assigned to base retail rates and contribute to earnings, reflecting resolution of the Company's general rate increase request, including recovery of costs associated with additional generating plants being placed into service. The remaining 11.9 percent (or \$28.2 million in annual revenues) of the rate increase would be used to continue to recover allowable deferred power costs over a period projected to extend through 2007.

Included in the issues resolved by the settlement stipulation is the establishment of an Energy Recovery Mechanism (ERM), similar to the power cost adjustment mechanism Avista Corp. already has in place in Idaho. The ERM will allow Avista Corp. to adjust electric rates up or down over time to reflect changes in power supply-related costs. As proposed, Avista Corp. will absorb or benefit from the first \$9 million annually of power supply cost differences above or below the amount included in base retail rates. Ninety percent of the power supply cost differences exceeding the initial \$9 million would be deferred for later rebate or surcharge to customers.

Financings

On May 21, 2002, the Company entered into a committed line of credit with various banks in the total amount of \$225 million expiring on May 20, 2003 replacing the \$220 million committed line of credit that expired on May 29, 2002. Under this committed line of credit, the Company may have up to \$50 million in letters of credit outstanding. The Company's obligation under the committed line of credit is secured with first mortgage bonds in the amount of the commitment.

In 1997, Avista Receivables Corp. (ARC), formerly known as WWP Receivables Corp., was formed as a wholly owned, bankruptcy-remote subsidiary of the Company for the purpose of acquiring or purchasing interests in certain accounts receivable, both billed and unbilled, of the Company. On May 29, 2002, ARC, the Company and a third-party financial institution entered a three-year agreement that is renewable each year whereby ARC can sell without recourse, on a revolving basis, up to \$100 million of those receivables.

The Company's press release disclosing these financing arrangements is filed as exhibit 99(c) hereto.

Federal Energy Regulatory Commission (FERC) Order

On June 4, 2002, the FERC issued an order to Avista Corp. and three other companies requiring these companies to show cause within ten days as to why their authority to charge market-based rates should not be revoked. The FERC order does not apply to Avista Energy, the energy trading and marketing subsidiary of Avista Corp. In this order, the FERC alleges that Avista Corp. failed to respond fully and accurately to a data request made on May 8, 2002. Further information about this FERC investigation can be found in the Company's Current Report on Form 8-K filed on May 28, 2002. Avista Corp. will do everything possible to cooperate with the FERC in this process to provide a complete and accurate response. Avista Corp.'s press release in response to the issuance of this order is filed as exhibit 99(d) hereto.

Table of Contents

Neither the filing of any press release as an exhibit to this Current Report nor the inclusion in such press releases of a reference to the Company's Internet address shall, under any circumstances, be deemed to incorporate the information available at such Internet address into this Current Report. The information available at the Company's Internet address is not part of this Current Report or any other report filed by the Company with the Securities and Exchange Commission.

Item 7. Exhibits

- 99(a) Press Release dated June 3, 2002.
- 99(b) Settlement Stipulation between Avista Corp., the Staff of the WUTC, the Public Counsel Section of the Attorney General's Office and the Industrial Customers of Northwest Utilities.
- 99(c) Press Release dated June 5, 2002.
- 99(d) Press Release dated June 5, 2002.

SIGNATURES

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

AVISTA CORPORATION
(Registrant)

Date: June 6, 2002

/s/ Jon E. Eliassen

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

[AVISTA CORP. LOGO]

NEWS RELEASE

CONTACT: Media: Patrick Lynch (509) 495-4246 pat.lynch@avistacorp.com
Investors: Angela Teed (509) 495-2930 angela.teed@avistacorp.com

FOR IMMEDIATE RELEASE:
June 3, 2002
7:45 a.m. EDT

AVISTA CORP. REACHES ALL-PARTY SETTLEMENT ON
REMAINING ISSUES OF ITS WASHINGTON ELECTRIC RATE CASE
SETTLEMENT INCLUDES ENERGY RECOVERY MECHANISM;
NO ADDITIONAL INCREASE IN ELECTRIC PRICES

SPOKANE, WASH.: The parties representing all participants in Avista Corp.'s (NYSE: AVA) Washington general electric rate case filing have reached a settlement agreement that resolves all remaining issues in the case, which is currently pending before the Washington Utilities and Transportation Commission (WUTC).

In the stipulation filed May 31, the parties--including Avista, the WUTC staff, the Public Counsel Section of the Washington Attorney General's Office and the Industrial Customers of Northwest Utilities--have requested that the Washington commission approve the settlement to become effective by July 1, 2002. The commission is expected to hold hearings on the settlement in mid-June, along with a public hearing.

The settlement agreement, if approved by the WUTC, would provide early resolution to all issues related to Avista's Washington general electric rate case, which the company filed in December 2001. There would be no incremental price increase to Avista's Washington electric customers.

"We are pleased with this settlement because it allows us to continue to strengthen our utility business and further address the long-term financial needs of our company without additionally raising electric rates to our customers," said Gary G. Ely, Avista Corp. board chairman, president and chief executive officer.

Included in the issues resolved by the settlement is the establishment of an Energy Recovery Mechanism (ERM), similar to the power cost adjustment mechanism Avista already has in place in Idaho. The ERM will allow Avista to adjust electric rates up or down over time to reflect changes in power supply-related costs. As proposed, Avista will absorb or benefit from the first \$9 million annually of energy cost differences above or below the amount included in base retail rates. Ninety percent of the energy cost differences exceeding the initial \$9 million would be deferred for later rebate or surcharge to customers.

-- MORE --

"The Energy Recovery Mechanism will provide us with a measure of financial stability and allow an additional means for power cost recovery. Our customers, in turn, will benefit from lower financing costs over time," Ely said.

The all-party agreement also requests that previous WUTC-approved price increases--totaling 31.2 percent since October 2001--be restructured to reflect the company's ongoing costs of providing service to customers. If approved by the WUTC, 19.3 percent of the prior price increase would be assigned to base retail rates and contribute to earnings, reflecting resolution of the company's general rate increase request, including recovery of costs associated with additional generating plants being placed into service. The remaining 11.9 percent would be used to continue to recover allowable deferred power costs over a period projected to extend through 2007.

As part of the settlement agreement, Avista will continue certain measures designed to help mitigate the impact on customers of prior rate increases. These measures include an annual contribution of \$150,000 to Project Share--an emergency energy assistance fund--until the electric deferral balance reaches zero. Other measures include extending the winter low-income payment program, continuing the promotion of Avista's Comfort Level Billing plan, and building additional customer awareness of Project Share and the company's Customer Assistance Referral and Education Service (CARES) program.

Approval of the general rate case settlement would conclude several months of rate-related proceedings brought before the WUTC by Avista. These proceedings include a filing last November to determine the prudence and recoverability of power costs the company had been deferring since July 2000. The WUTC approved a settlement related to that filing in March of this year, authorizing recovery of 90 percent of deferred power costs and resulting in a 6.2 percent increase in electric rates for Washington customers. In September 2001, the WUTC also approved a 25 percent electric surcharge to help offset the extraordinary costs Avista had incurred to purchase electricity to serve its customers.

Approximately 67 percent of the company's annual electric revenues are derived from eastern Washington where the company serves 210,000 electric customers.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is a company operating division that provides electric and natural gas service to customers in four western states. Avista's non-regulated affiliates include Avista Advantage, Avista Labs and Avista Energy. Avista Corp.'s stock is traded under the ticker symbol "AVA" and its Internet address is www.avistacorp.com

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

-- MORE --

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2001, and Form 10-Q for the quarter ended March 31, 2002.

-- 0231 --

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In re the Matter of)	
)	DOCKET NO. UE-011595
WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION)	
)	
Complainant,)	
)	
v.)	
)	
AVISTA CORPORATION d/b/a)	SETTLEMENT STIPULATION
AVISTA UTILITIES)	
)	
Respondent.)	
.....)	

This Settlement Stipulation is entered into this _____ day of May 2002, by and between all parties to the above docket: Avista Corp. ("Company"), the Staff of the Washington Utilities and Transportation Commission ("WUTC Staff"), the Public Counsel Section of the Attorney General's Office ("Public Counsel"), and Intervenor, Industrial Customers of Northwest Utilities ("ICNU"), as represented by the undersigned (jointly referred to as the "Parties" and individually referred to as a "Party").

The Parties agree this Settlement Stipulation is in the public interest. The Parties understand this Settlement Stipulation is subject to Commission approval.

I. INTRODUCTION

On November 13, 2001, the Company requested that the Commission conduct an expedited proceeding to determine whether its deferred energy costs were prudently incurred and recoverable.

The matter was assigned Docket No. UE-011514, and was set for expedited hearing. Subsequently, on December 3, 2001, the Company filed tariff revisions designed to effectuate a general rate increase for electric service. Included in the filing was a request for an interim rate increase of approximately 12.4%, or \$29,344,000, on an annual basis.

The general and interim filings were assigned Docket No. UE-011595. By order of the Commission, the prudence/recoverability inquiry in Docket No. UE-011514 and interim request in Docket No. UE-011595 were consolidated for purposes of hearing.

On February 19, 2002, a Settlement Stipulation was entered into by all Parties in Docket Nos. UE-011514 and UE-011595, which constituted a full settlement of all issues raised in the prudence/recoverability docket (Docket No. UE-011514) and certain issues in the pending general rate case (Docket No. UE-011595). By its Fourth Supplemental Order, issued on March 4, 2002 in both Dockets, supra, the Commission approved the Settlement Stipulation, thereby resolving the Company's petition concerning the prudence of certain deferred energy costs and its request for interim rate relief. The Commission's Order also resolved certain issues pending in the Company's general rate increase request, e.g., capital structure and cost of common equity, and provided for the updating of costs of debt and preferred equity. In the Settlement Stipulation, the Parties otherwise agreed to negotiate in good faith the resolution of the remaining issues in the general rate case, including the implementation of a power cost adjustment, or similar mechanism.

Following informal settlement discussions, the Parties have entered into the following agreement ("Settlement" or "Settlement Stipulation") regarding the resolution of all remaining issues in Avista's pending general rate increase request in Docket No. UE-011595. Accordingly, this Settlement Stipulation is presented to the Commission. If this Settlement Stipulation is approved, this would constitute a full settlement of all issues raised in Docket No. UE-011595. This Settlement

is presented for the Commission's approval under WAC 480-09-465 (Alternative Dispute Resolution). The Parties agree that comments of the public, including those already filed and any to be made at any public comment hearing on this Stipulation, should be admitted to the record without objection.

The Parties request that the Commission approve this Stipulation in a time frame that would allow Avista to file revised tariffs to become effective not later than July 1, 2002.

II. SETTLEMENT STIPULATION

1. Retail Rates:

As a result of this Stipulation, the Company's remaining revenue requirement issues are resolved, and overall retail rates to customers will remain at the levels previously authorized by this Commission in its Fourth Supplemental Order in Docket Nos. UE-011514 and UE-011595, issued on March 4, 2002.

The Parties agree that the revenue increases authorized and implemented since October 1, 2001, representing an overall increase of \$73,914,000, or approximately 31.2%, will be allocated effective July 1, 2002, as follows: \$45,722,000, or approximately 19.3%, to base rates to reflect the resolution of the Company's general revenue requirement request, and \$28,192,000, or approximately 11.9%, to amortization of the energy cost deferral balance (before adjustment for revenue-sensitive expenses) through the Schedule 93 surcharge tariff, and by elimination of Schedule 96. This assignment of revenue requirements is to be considered the final resolution of Docket Nos. UE-010395, UE-011514 and UE-011595, and will be reflected through changes to the Company's general service tariffs and the Schedule 93 surcharge tariff. These changes, with the exception of the change to Schedule 25 explained below, will not result in a change in the current billed rates to

customers. The surcharge tariff will remain in place until the energy cost deferral balance reaches zero.

The Company will implement two additional high voltage discounts under Schedule 25 for service taken at 60 kV and 115 kV. These additional discounts reflect the reduced costs to the Company from avoiding transformer costs and associated energy losses related to stepping the voltage down to lower levels. The voltage discounts will be \$0.40 per kVa of demand for service taken at 60 kV, and \$0.50 per kVa of demand for service taken at 115 kV. The net revenue impact of implementing these high voltage discounts, of approximately \$70,000 annually, will be reallocated within Schedule 25.

2. Deferred Energy Costs Between January 1, 2002 and June 30, 2002:

The energy costs deferred and recorded on the Company's financial books, pursuant to the Order Granting Accounting Petition in Docket No. UE-011597 dated December 28, 2001, from January 1, 2002 through June 30, 2002, shall be recoverable in rates. These deferrals were recorded pursuant to the approved 90% customer/10% Company sharing percentages. The balance of these deferrals at April 30, 2002 is a credit (in the rebate direction) of \$640,898. This balance, plus the actual deferrals for May and June of 2002, shall be consolidated for accounting and recovery purposes with the remaining energy cost deferral balance authorized for recovery pursuant to the previously mentioned Fourth Supplemental Order in Docket Nos. UE-011514 and UE-011595. This deferral balance will hereinafter be referred to as the "Energy Cost Deferral Balance," and will include any deferrals from the Energy Recovery Mechanism, beginning July 1, 2002.

3. Energy Recovery Mechanism beginning July 1, 2002:

An Energy Recovery Mechanism (ERM) shall be implemented for the Company's electric operations beginning July 1, 2002. Under the ERM, 90% of the difference between actual and base

power supply costs outside of a "Company Band" (Band) will be deferred to the Energy Cost Deferral Balance. The Company will absorb or benefit from the remaining 10%, positive or negative.

The Company Band will be a symmetrical band of plus or minus \$9 million (Washington jurisdictional share) on a calendar-year basis. The Band will be prorated for July through December of 2002, resulting in a Washington jurisdictional Band of \$4.5 million for the partial year. During each calendar year, the Company will absorb or benefit from the first \$9 million of energy cost differences (\$4.5 million for the last half of 2002), positive or negative, and will defer for later recovery 90% of the cost differences that exceed the Band, and will credit the energy cost deferral balance with 90% of the cost differences below the Band.

Energy cost deferrals under the ERM will be calculated each month by subtracting base net power supply expense from actual net power supply expense to determine the change in net power supply expense. The methodology will compare the actual and base amounts in FERC accounts 555 (Purchased Power), 501 (Thermal Fuel), 547 (Fuel) and 447 (Sales for Resale) to compute the change in power supply expense. Actual thermal generating plant fuel expense not included in account 547 (the net of natural gas transactions for thermal plants under Account 456 (revenue) and Account 557 (expense)) will be added to incorporate the total net change in thermal fuel expense. The specific base power supply revenues and expenses included in each of the four FERC accounts (555, 501, 547 and 447) are as shown in Attachment 1 to this Settlement Stipulation, along with the Company's normalized retail load included in this case. In addition, the remaining actual lease expenses related to the Kettle Falls Bi-Fuel generating units of approximately \$3.9 million (System Basis), for July through October 2002, will be included in the ERM calculation of actual power supply costs.

The system change in power supply expense will then be multiplied by the Washington allocation factor of 66.29% as filed this Docket. From the Washington change in power supply expense, the Washington retail revenue adjustment will be added or subtracted to derive the Washington jurisdictional change in total net expense.

The ERM shall include a retail revenue adjustment to reflect the change in power production expenses recovered through base retail revenues, related to changes in retail load. The power production rate component to be used in the retail revenue adjustment calculation will be based on the production costs included in Avista's cost of service study filed in this case for the weighted average of all rate schedules. These production costs divided by the annual base (normalized) retail kilowatt-hour sales results in a production related revenue figure of \$0.03208 per kilowatt-hour.

The monthly retail revenue adjustment used in the ERM shall be computed by multiplying \$0.03208 per kilowatt-hour times the difference between actual and base monthly retail kilowatt-hour sales. If actual kilowatt-hour sales are greater than base, the retail revenue adjustment will result in a credit to the ERM deferral. If actual kilowatt-hour sales are less than base, the retail revenue adjustment will result in a debit to the ERM deferral.

4. Additional ERM Provisions:

a. Monthly Reporting: The Company agrees to submit monthly reports to the Commission and the Parties to this Stipulation, which will include the monthly ERM accounting journal together with backup work papers. The cover letter to the submittal will include a brief explanation of the factors causing the deferral entry, should a deferral entry be recorded for the month. The submittal will also identify any new forward long-term power contracts of one-year or longer, to provide advanced notice of these new agreements.

b. Annual Filing to Review Deferrals: The Company agrees to make an annual filing on

or before April 1st of each year to provide opportunity for the Commission and interested parties to review the prudence of and audit the ERM deferral entries for the prior calendar year. The Company will respond to data requests within 10 days to allow the Commission Staff and interested parties the opportunity to review the deferral information during a 90-day review period ending June 30th of each year. The 90-day review period may be extended by agreement of the parties participating in the review, or by Commission order.

c. ERM Review Filing December 2006: On or before December 31, 2006, Avista will make a filing with the Commission that will allow interested Parties the opportunity to review and propose changes to the ERM. In that filing, Avista will have the burden of demonstrating that it is in the public interest that the ERM should continue, or be modified, and that any proposed changes by the Company to the ERM are in the public interest.

d. Carrying Charge: Beginning July 1, 2002, the carrying charge on the Energy Cost Deferral Balance will be calculated using the Company's actual cost of debt, updated semi-annually, and applied to the Energy Cost Deferral Balance less associated accumulated deferred income taxes. Interest will be accrued monthly and compounded semi-annually. The Company will notify the Parties of the result of the semi-annual update and provide supporting workpapers upon request.

e. Transactions with Avista Energy: The Company agrees that it will not enter into any electric or natural gas commodity transactions with Avista Energy related to Avista Utilities' electric operations until the Energy Cost Deferral Balance carries a net credit balance. This provision does not preclude transactions between the two companies related to Avista Utilities' natural gas distribution business.

f. Future Rate Adjustments Under the ERM: At the point in time when the Energy Cost

Deferral Balance reaches zero, the Schedule 93 surcharge tariff will be eliminated and future rate adjustments related to the benefits or costs accruing to customers from the ERM shall be determined as follows: Deferrals shall be allowed to accumulate until a trigger of 10% of base retail revenues is reached. Based on rates approved in this Stipulation, the trigger amount is \$27.8 million. When the trigger is exceeded the Company shall file a tariff change to implement the surcharge or rebate. The proposed effective date of the tariff change shall provide for a 90-day review and approval process. The Company may, depending upon circumstances, propose a different effective date to minimize the number of rate changes to customers.

The trigger amount shall be spread to rate schedules on a uniform percentage basis using base revenues approved in this proceeding, unless otherwise changed in a future rate proceeding. Within each rate schedule the rate adjustment shall apply to the energy charges on a uniform cents per kilowatt-hour basis using the most recent normalized kilowatt-hours as filed annually by the Company pursuant to Commission Basis Reporting requirements. An exception is street and area light rates, which shall be adjusted by the uniform percentage. The rate adjustment shall be in effect for a twelve-month period. Only one 10% surcharge shall be in place at any given time.

5. Continuation of Certain Customer Impact Mitigation Measures:

Pursuant to the Stipulation approved by the Commission in its Fourth Supplemental Order in Docket Nos. UE-011514 and UE-011595, the Company implemented certain measures designed to help mitigate the impact of increased rates on customers, after consultation with the Commission Staff, Public Counsel and other interested parties. As part of this Stipulation, the Company will continue the measures, outlined below, until June 30, 2003, except as to subsections e. and f., which

are governed by their terms. Any party may petition the Commission to further extend and/or revise these measures. Avista agrees that there will be no impact on rates based upon the cost it incurs for these measures.

To the extent these measures require Commission approval, the Parties agree to support the implementation of these measures. These measures will consist of the following:

a. Winter Low-Income Payment Program. The Company will continue the Winter Low-Income Payment Program.

b. Comfort Level Billing Plan.

i. The Company will continue to actively promote its levelized billing program, called "Comfort Level Billing," through customer notification and promotion in billing inserts.

ii. The Company will continue the modification of program restrictions on eligibility for Comfort Level Billing by allowing customers removed from the program for nonpayment within the past six months or having more than a two-month balance on their current account to participate. While customers are participating in the Comfort Level Billing program, they are allowed an additional one-month grace period before delinquency notices are sent.

c. Deposit Requirements. Customers will be offered the option of paying 25% of the deposit prior to service, with the remaining balance paid in equal amounts over the next three months.

d. CARES Program. The Company will continue customer service awareness efforts to increase participation in the CARES program in which the Contact Center has representatives specifically dedicated to working with special needs customers on available

options and resources for bill payments.

e. Project Share. The Company agrees to continue additional promotion of contributions to Project Share which provides emergency energy assistance for families in Washington. In addition, the Company agrees to provide \$150,000 annually in Project Share funding until the Energy Cost Deferral Balance is reduced to zero or results in a customer credit.

f. Customer Fees. The field collection fee, the reconnect fee, and the late payment fee shall remain as approved in the Company's last rate case, UE-991606. The NSF, or insufficient funds, check fees shall change from \$7.50 to \$15.00.

6. DSM and Low Income Tariff Riders:

Within 120 days of the approval of this Stipulation, the Company will propose modifications to the Company's Demand Side Management (DSM) and Low Income Tariff Riders related to the appropriate matching of prospective Tariff Rider revenues and prospective program costs, after stakeholder review with the External Energy Efficiency Board, known as the Triple E Board. No party to the stakeholder process is precluded from arguing the sufficiency, or insufficiency, of the program budgets in the stakeholder process. No party will be bound by the Company's eventual filing, or from taking a position regarding that filing.

III. EFFECT OF THE SETTLEMENT STIPULATION

1. Binding on Parties:

The Parties agree to support the terms of the Settlement Stipulation as described above. The Parties understand that this Settlement Stipulation is subject to Commission approval. The Parties agree that this Settlement Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding.

2. Integrated Terms of Settlement:

The Parties have negotiated this Settlement Stipulation as an integrated document. Accordingly, the Parties recommend that the Commission adopt this Settlement Stipulation in its entirety.

3. Procedure:

This Stipulation shall be filed at 4:00 P.M., May 31, 2002. All Parties to the Stipulation shall maintain the strictest confidentiality with regard to the Stipulation and settlement discussions and respect this "quiet period" until confirmation has been received that the Stipulation has been filed. Violation of the quiet period by any employee or consultant of any party shall be deemed by all parties to be a material breach of the stipulation and shall be grounds for rescission and repudiation of the Stipulation by any other Party.

The Parties shall cooperate in submitting this Settlement Stipulation promptly to the Commission for acceptance, so that it may be implemented not later than July 1, 2002. The Parties shall request a hearing to present the Settlement Stipulation, and shall each make available to answer questions a witness or witnesses in support of this Settlement Stipulation. The Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Settlement Stipulation and to supplement the record accordingly. Any Party may elect to file with the Commission a memorandum explaining this Settlement Stipulation. The Parties agree among themselves to suspend all existing due dates in the Company's general rate case (Docket No. UE-011595), including the filing of testimony, the evidentiary hearings and the briefing dates, and to jointly request that the Commission so order.

If the Commission rejects all or any material portion of this Settlement Stipulation, or adds additional material conditions, each Party reserves the right, upon written notice to the Commission

and all Parties to this proceeding within seven (7) days of the date of the Commission's Order, to withdraw from the Settlement Stipulation. If any Party exercises its right of withdrawal, this Settlement Stipulation shall be void and of no effect, and the Parties will support a joint motion to reinstate an expedited procedural schedule for those dates specifically suspended by the Commission pursuant to the above request.

4. No Precedent:

The Parties enter into this Settlement Stipulation to avoid further expense, uncertainty, and delay. By executing this Settlement Stipulation, no Party shall be deemed to have accepted or consented to the facts, principles, methods or theories employed in arriving at the Settlement Stipulation, and except to the extent expressly set forth in the Settlement Stipulation, no Party shall be deemed to have agreed that such a Settlement Stipulation is appropriate for resolving any issues in any other proceeding.

5. Execution:

This Settlement Stipulation may be executed by the Parties in several counterparts and as executed shall constitute one agreement.

Entered into on the date first above written.

By: -----
David J. Meyer
Senior Vice President and General
Counsel
For Avista Corp.

By: -----
Jonathan C. Thompson
Donald T. Trotter
Assistant Attorney General
For WUTC Staff

By: -----
Robert W. Cromwell, Jr.
Assistant Attorney General
For Public Counsel

By: -----
Bradley Van Cleve
Attorney
For Intervenor Industrial Customers
of Northwest Utilities

[AVISTA CORP. LOGO]

NEWS RELEASE

CONTACT: Media: Patrick Lynch (509) 495-4246 pat.lynch@avistacorp.com
Investors: Angela Teed (509) 495-2930 angela.teed@avistacorp.com

FOR IMMEDIATE RELEASE:
June 5, 2002
8:30 a.m. EDT

AVISTA CORP. COMPLETES NEW LINE OF CREDIT, RECEIVABLES AGREEMENT

SPOKANE, WASH.: Avista Corp. (NYSE:AVA) today announced that it has entered into a \$225 million committed line of credit, replacing an agreement that expired on May 29. The new, 364-day credit line represents a \$5 million increase over the previous line. Avista also announced the extension of its accounts receivable program, which provides another form of cost-effective, short-term liquidity for the company.

The new credit facility arrangement includes a group of banks, with the Bank of New York as lead arranger and administration agent and with Union Bank of California as the co-lead arranger and syndication agent.

"Considering global events in the energy and utility markets and the continued tight credit available for energy companies in general, we are very pleased to be able to renew our credit facility at an increased level," said Jon E. Eliassen, senior vice president and chief financial officer for Avista Corp. "We believe this demonstrates recognition by our banks that we have strengthened our utility business, that we continue to build on positive relationships with state regulators, and that cash flows have improved significantly."

Avista also renewed a receivables financing program for another year, through May 2003. Avista Receivables Corp. is a wholly owned, bankruptcy-remote subsidiary formed for the purpose of acquiring or purchasing interests in certain accounts receivable. Avista Receivables Corp. may sell, without recourse, up to \$100 million of receivables on a revolving basis. This program, which was also increased from prior levels, provides Avista with cost-effective, short-term financing.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is a company operating division that provides electric and natural gas service to customers in four western states. Avista's non-regulated affiliates include Avista Advantage, Avista Labs and Avista Energy. Avista Corp.'s stock is traded under the ticker symbol "AVA" and its Internet address is www.avistacorp.com

-- MORE --

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

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2001 and Form 10-Q for the quarter ended March 31, 2002.

-- 0233 --

[AVISTA CORP. LOGO]

NEWS RELEASE

CONTACT: Media: Hugh Imhof (509) 495-4264 hugh.imhof@avistacorp.com
Investors: Angela Teed (509) 495-2930 angela.teed@avistacorp.com

FOR IMMEDIATE RELEASE:
June 5, 2002
3:00 p.m. EDT

AVISTA RESPONDS TO FERC ORDER
AVISTA UTILITIES CONTINUES THOROUGH INVESTIGATION AND
PLEDGES TO COOPERATE FULLY WITH FERC

SPOKANE, WASH.: Avista Corp. (NYSE:AVA), in its continuing efforts to fully cooperate with the Federal Energy Regulatory Commission (FERC), is in the process of investigating in detail certain trades that are now being questioned by FERC. The FERC order does not apply to Avista Energy, the energy trading and marketing subsidiary of Avista Corp.

"We have not knowingly withheld any information about Avista Utilities' activities related to FERC's request," said Gary G. Ely, chairman, chief executive officer and president of Avista Corp. "We will continue to do everything possible to cooperate with FERC in this process to provide a complete and accurate response."

The trades in question were conducted on 18 trading days during a three-month period between April and June 2000. The total number of megawatts traded was limited to less than one-tenth of 1 percent of Avista Utilities' trading activity during the period. The company earned less than \$2,500 from the transactions.

FERC has ordered Avista to show why it should not have its market-based trading authority revoked for the utility. Previously, Avista conducted searches of its records, and the data was provided to FERC on May 22.

As noted in its response to FERC, the time frame available did not allow for detailed review of all transactions relevant to the data request. Avista is now reviewing hundreds of hours of recorded conversations from trading activities during the period in question.

-more-

ABOUT AVISTA CORP.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is a company operating division that provides electric and natural gas service to customers in four western states. Avista's non-regulated affiliates include Avista Advantage, Avista Labs and Avista Energy. Avista Corp.'s stock is traded under the ticker symbol "AVA" and its Internet address is www.avistacorp.com

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

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2001 and Form 10-Q for the quarter ended March 31, 2002.