

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): July 24, 2003

AVISTA CORPORATION

(Exact name of registrant as specified in its charter)

Washington

1-3701

91-0462470

(State or other jurisdiction of
incorporation or organization)

(Commission
File Number)

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

1411 East Mission Avenue, Spokane, Washington

99202-2600

(Address of principal executive offices)

(Zip Code)

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

509-489-0500

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

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Item 5. Other Information

Federal Energy Regulatory Commission (FERC) Investigation

In January 2003, the FERC Trial Staff, Avista Corporation (Avista Corp.) d/b/a Avista Utilities and Avista Energy filed an Agreement in Resolution with the FERC's Chief Administrative Law Judge, which if approved would resolve the investigation that commenced in August 2002. The parties requested that the judge certify the agreement and forward it to the FERC for its final approval. In the joint motion, the FERC Trial Staff states that its investigation found no evidence that: (1) any executives or employees of Avista Utilities or Avista Energy knowingly engaged in or facilitated any improper trading strategy; (2) Avista Utilities or Avista Energy engaged in any efforts to manipulate the western energy markets during 2000 and 2001; and (3) Avista Utilities or Avista Energy withheld relevant information from the Commission's inquiry into the western energy markets for 2000 and 2001.

On June 25, 2003, the FERC's Chief Administrative Law Judge issued an order denying the request to certify the Agreement in Resolution and forward it to the FERC for its final approval. In the June 25, 2003 order, the FERC's Chief Administrative Law Judge reinstated a procedural schedule that called for further testimony and hearings in the case.

On July 10, 2003, Avista Corp. and Avista Energy filed an appeal to the June 25, 2003 order. In the appeal, Avista Corp. and Avista Energy asserted that the FERC's Chief Administrative Law Judge did not have the opportunity to consider how other orders, which were issued on June 25, 2003 by the FERC with respect to western energy markets and Enron Corporation, would impact the case. Those orders provide additional guidance with respect to improper trading activities and further validate the findings of the FERC Trial Staff's investigation of Avista Corp. and Avista Energy. The FERC's Chief Administrative Law Judge had 15 days to respond to the appeal.

On July 10, 2003, the FERC Trial Staff also filed a motion with the FERC's Chief Administrative Law Judge asking for clarification and reconsideration of the June 25, 2003 order. The FERC's Trial Staff requested that the Agreement in Resolution be certified and forwarded to the FERC for its final approval without the need for a further hearing. On July 17, 2003, Avista Corp. and Avista Energy filed an answer to this motion with the FERC, which supported the FERC Trial Staff's position.

On July 24, 2003, the FERC's Chief Administrative Law Judge issued an order, which granted the FERC Trial Staff's July 10, 2003 motion for reconsideration. In the order, the FERC's Chief Administrative Law Judge finds that there are no unresolved issues of material fact and that the record is sufficient for the FERC to make a determination on the merits of the settlement. The FERC's Chief Administrative Law Judge has certified the Agreement in Resolution and forwarded it to the FERC for its final approval. In reaching this conclusion, the FERC's Chief Administrative Law Judge considered the July 10, 2003 appeal by Avista Corp. and Avista Energy. However, this appeal was denied as it is considered moot in view of granting the FERC Trial Staff motion for reconsideration.

The certification states that "the Chief Judge further finds that the proposed settlement disposes of all issues set for hearing in this proceeding, that it is just, reasonable, and in the public interest."

Avista Corp.'s press release disclosing the events of July 24, 2003 is filed as exhibit 99(a) hereto. The order of the FERC's Chief Administrative Law Judge is filed as exhibit 99(b) hereto. The certification of the FERC's Chief Administrative Law Judge is filed as exhibit 99(c) hereto.

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 Avista Corp.'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 Avista Corp.'s Internet address is not part of this Current Report or any other report filed by Avista Corp. with the Securities and Exchange Commission.

Item 7. Exhibits

- 99(a) Press release dated July 24, 2003
 - 99(b) Order of the FERC's Chief Administrative Law Judge issued July 24, 2003
 - 99(c) Chief Judge's Certification of Contested Settlement issued July 25, 2003
 - 99(d) Press release dated July 30, 2003
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Item 12. Results of Operations and Financial Condition

The information in this report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

On July 30, 2003, Avista Corp. issued a press release announcing 2003 second quarter and year-to-date earnings. A copy of the press release is furnished as Exhibit 99(d).

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 Avista Corp.'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 Avista Corp.'s Internet address is not part of this Current Report or any other report filed by Avista Corp. with the Securities and Exchange Commission.

SIGNATURES

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

AVISTA CORPORATION

(Registrant)

/s/ Malyn K. Malquist

Malyn K. Malquist
Senior Vice President and
Chief Financial Officer

Date: July 30, 2003



Exhibit 99(a)

News Release

Contact: Media: Hugh Imhof (509) 994-3885 hugh.imhof@avistacorp.com
Investors: Angela Teed (509) 495-2930 angela.teed@avistacorp.com

FOR IMMEDIATE RELEASE:

July 24, 2003
2:00 p.m. EDT

FERC Judge Will Certify Avista Agreement to Commission
Judge concludes that there are no unresolved issues in the Avista case

Spokane, Wash.: Federal Energy Regulatory Commission (FERC) Chief Administrative Law Judge Curtis L. Wagner Jr. today granted a motion for reconsideration filed earlier this month by FERC Trial Staff and said that he will certify an agreement to the FERC commissioners that would resolve an ongoing investigation of Avista Corp. (NYSE: AVA).

In granting the FERC Trial Staff motion today, Judge Wagner concluded "that there are no unresolved issues of material fact and that the record is sufficient for the commission to make a determination on the merits of the settlement . . ."

FERC Trial Staff filed its motion with Judge Wagner on July 10 asking for clarification and reconsideration of his June 25 ruling in which he had declined to certify an agreement to the FERC commissioners that would resolve the year-long investigation into Avista's energy trading practices. In its motion, Trial Staff requested that the agreement to resolve Avista's case be certified to the commission for its approval without the need for a further hearing.

FERC trial staff and Avista agreed to resolve the case in January after an extensive investigation. Trial Staff concluded there was neither evidence that Avista had knowingly engaged in or facilitated any improper trading strategies nor that Avista engaged in efforts to manipulate western energy markets, and that Avista cooperated fully with the staff investigation.

"This is very positive news for our company. We have cooperated fully with FERC Trial Staff from the outset of this investigation. This is a major step forward in successfully resolving this issue," said Gary G. Ely, chairman, president and chief executive officer of Avista Corp.

- more -

Page Two FERC Judge Will Certify Avista Agreement to Commission

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 subsidiaries include Avista Advantage 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, 2002, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Avista Corporation
Avista Energy, Inc.
Portland General Electric Company
Enron Power Marketing Inc.

Docket No. EL02-115-000

ORDER OF CHIEF JUDGE GRANTING RECONSIDERATION, DENYING
MOTION FOR LEAVE TO TAKE INTERLOCUTORY APPEAL
AS MOOT, AND CANCELLING PROCEDURAL SCHEDULE

(Issued July 24, 2003)

1. On July 10, 2003, the Commission trial staff filed a motion for reconsideration of the Chief Judge's June 25, 2003, order denying the request to certify a contested settlement in this proceeding. On the same date Avista Corporation and Avista Energy, Inc.'s (Avista) filed a motion for leave to take an interlocutory appeal of the Chief Judge's June 25, 2003 order. On July 17, 2003, Avista filed an answer supporting the Commission trial staff's motion for reconsideration. It is noted that answers to requests for rehearings/reconsideration are not permitted under the Commission's Rules of Practice and Procedure (Rule 213(a) (2)).

2. On June 25, 2003, the Chief Judge issued an order denying the Commission trial staff's and Avista's request to certify a contested settlement to the Commission and reinstating hearing procedures (103 FERC P 63,058). That denial was based upon his finding that at that point in time there were unresolved genuine issues of material fact. The Chief Judge found that there was a dispute between the parties over the definition of the Enron practices of ricochet, get shorty, and counterflow revenues from cut schedules in real time that would be applied to the facts in this case. The Chief Judge was concerned whether the allegations of wrongdoing raised by the City of Tacoma, Washington (Tacoma), based on transcripts of telephone conversations set forth by Tacoma witness Movish, were contrary to the conclusions reached by the trial staff in its investigation raised unresolved issues of material fact. The Chief Judge also had questions regarding whether Avista facilitated the circumvention of prohibitions on affiliate sales. The Chief Judge was troubled by the allegations of Tacoma and the California Parties (the People of the State of California, ex rel. Bill Lockyer, Attorney General, the California Public Utilities Commission, and the California Electricity Oversight Board) that they were not permitted to participate in the

settlement discussions, that they were not notified of meetings between the trial staff and Avista, and that they were not given an opportunity to review materials examined or to comment.

3. Later on the same date the Commission issued orders to show cause in American Electric Power Service Corporation, et al. (103 FERC P 61,345), and in Enron Power Marketing, Inc., 103 FERC P 61,346, in which it provided clarification and clear definitions of the gaming practices which are in dispute in this proceeding as indicated above. There is no question concerning the fact that the issues in those cases are identical with the issues addressed in this proceeding and that the definitions would directly cover the allegations concerning Avista here. These orders dispose of the dispute in this proceeding regarding the definition of ricochet transactions, get shorty, and deathstar.

4. The Commission trial staff in its motion for reconsideration pointed out that the dispute over definitions of ricochet, get shorty, and counterflow revenues from cut schedules in real time were resolved by the Commission in the show cause orders referred to above. The trial staff in its motion for reconsideration demonstrated that it had used the exact definitions in conducting its investigation and that its investigation complied in every respect with the definitions set forth in the Commission's show cause orders. The trial staff's motion for reconsideration established, through citations and references to data obtained from Avista in discovery, that other than broker-arranged transactions (in which the counterparties are unknown to each other until the deal is consummated), the only affiliated entities for which Avista served as an intermediary during 2000 and 2001 are Enron Power Marketing, Inc. (Enron) and Portland General Electric Company (PGE), and that during the entire period Avista in its motion for leave to take interlocutory appeal pointed out that it did not facilitate the contravention of any affiliate transaction bar between PGE and Enron in the relevant transactions because no such bar existed. Avista further pointed out that in a December 28, 1998, Commission letter order accepting Enron's market-based rate schedule and Code of conduct, Enron was given authority to sell power to PGE. In addition, the Commission trial staff investigation found that with respect to Avista, all but one of the more than 200 transactions in which Avista served as a sleeve between affiliated companies during 2000 and 2001, were arranged by brokers without the knowledge or direct involvement of the affiliated parties.

5. The trial staff's motion for reconsideration set forth the fact that the Chief Judge had been misled concerning the City of Tacoma's and the California Parties' assertion that they were never given notice nor permitted to participate in settlement discussions. The trial staff enumerated the notices given for every meeting and the opportunity for the City of Tacoma and the California Parties to participate.

6. With regard to the Chief Judge's concerns about contrary conclusions between Tacoma's Witness Movish in his affidavit and the Commission trial staff's conclusion reached in its investigation, both Avista in its motion for interlocutory appeal, and the trial staff in its motion for reconsideration point out that the transcripts cited by Mr. Movish are the same transcripts referenced by the Commission in its August 13, 2002 (100 FERC P 61,187), order setting this case for hearing. The Commission trial staff and Avista point out that Avista's response to the August 13, 2003, order offered extensive review of the transcripts and associated transactions. Further, the trial staff conducted an extensive review of the involved transactions, including a review of documents, correspondence, accounting records, internal reports, transaction logs, and a review of the actual tapes and found that no executive or employee of Avista engaged in or knowingly facilitated any of the Enron trading strategies. A description of the Commission trial staff's investigation was provided under oath by a trial staff witness at a prehearing conference held on May 20, 2003. Tacoma and the California parties were permitted to question the trial staff's witness. The Chief Judge is convinced that there is no longer any question of material fact concerning the transcripts of the tapes relied upon by Mr. Movish.

7. In view of the foregoing and the record to date in this proceeding and a review of all comments and reply comments on the settlement filed in this proceeding, the Chief Judge hereby finds that there are no unresolved issues of material fact and that the record is sufficient for the Commission to make a determination on the merits of the settlement involved herein. The Chief Judge hereby grants the Commission trial staff's motion for reconsideration of his June 25, 2003, order and will certify the settlement reached by the Commission trial staff and Avista to the Commission for its consideration.

8. In reaching his conclusion herein, the Chief Judge considered the extensive and convincing motion of Avista for leave to take an interlocutory appeal of his June 25, 2003, order. However, the motion is hereby denied as being moot in view of the granting of the trial staff's motion for reconsideration.

9. The current procedural schedule established in this case, including the hearing scheduled to convene on October 27, 2003 is cancelled.

Curtis L. Wagner, Jr.
Chief Administrative Law Judge

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSIONAvista Corporation
Avista Energy, Inc.
Portland General Electric Company
Enron Power Marketing Inc.

Docket No. EL02-115-000

CHIEF JUDGE'S CERTIFICATION OF CONTESTED SETTLEMENT

(Issued July 25, 2003)

TO THE COMMISSION:

1. On January 30, 2003, the FERC Trial Staff (Trial Staff), Avista Corporation d/b/a Avista Utilities ("Avista Utilities") and Avista Energy, Inc. ("Avista Energy") filed an Agreement in Resolution of this Section 206 Proceeding ("Agreement"). The Agreement represents a full and final resolution of the issues related to Avista Utilities and Avista Energy set for hearing on August 13, 2002 in Avista Corporation, et al., 100 FERC P 61,187 ("August 13th Order"). The Agreement is a result of a four-month investigation into the records and practices of Avista Utilities and Avista Energy on the part of the Trial Staff to determine whether Avista Utilities or Avista Energy engaged in trading strategies designed to manipulate the California energy markets in 2000 and 2001, engaged in trading activities in violation of the Commission's rules on affiliate transactions, and responded fully to the Commission's investigative staff March 26, 2003, Final Report on Price Manipulation in Western Markets, Docket No. PA02-2-000 (Final Report). In its investigation the Trial Staff used as its starting point Avista Utilities' June 14, 2002 answer to the Commission's June 4, 2002 Order to Show Cause Why Market-Based Rate Authority Should Not Be Revoked, 99 FERC P 61,272 ("Show Cause Order"). To investigate the questions set for hearing by the Commission: (1) representatives from the Trial Staff met informally with senior executives and employees of Avista Utilities and Avista Energy on numerous occasions at FERC headquarters and by conference call to discuss both companies' operations, and to have questions answered, (2) Avista Utilities and Avista Energy answered several extensive sets of data requests issued by the Trial Staff, (3) representatives from the Trial Staff undertook a Field Audit at the offices of Avista Utilities and Avista Energy to review the books and records of both companies, interview company employees, and observe firsthand how those companies operate, and (4) the Trial Staff issued data requests to Portland General Electric Company ("PGE"), Enron Power Marketing, Inc. ("Enron"), the California Attorney General, and the California Independent System Operator ("Cal

ISO"), conducted several telephone conference calls with PGE representatives, met with PGE representatives at FERC headquarters, participated in a Field Audit at PGE's offices, and reviewed information relative to Bonneville Power Administration ("BPA"). It is noted that neither City of Tacoma, Washington ("Tacoma") nor the California State Parties (the People of the State of California, ex rel. Bill Lockyer, Attorney General, the California Public Utilities Commission, and the California Electricity Oversight Board) were notified of the meetings between the Trial Staff and Avista Utilities and Avista Energy, nor were they given an opportunity to attend the meetings, review the materials examined, or to comment.

2. On April 9, 2003 the Chief Judge held a further prehearing conference in this case where he ruled that the Proposed Agreement filed on January 31, 2003, could not be certified to the Commission because it appears to be in conflict with the Commission's Final Report--pages ES16 and VI-17 and VI-18--and pages 20, 21, 22, 33, and 34 of the California ISO Report (CAISO Report) of October 4, 2002, Analysis of Trading and Scheduling Strategies Described in Enron Memos. Among other things, the proposed Agreement provides that the Trial Staff investigation found no evidence that any executive or employee of Avista knowingly engaged in or facilitated improper trading strategies, that it found no evidence that Avista engaged in any effort to manipulate the western markets during the year 2000 and 2001, etc., while the March 26, 2003 Final Report and the October 4, 2002 CAISO Report indicated possible misconduct in three areas, ratchet or megawatt laundering, sell back of ancillary services ("get shorty"), and counter-flow revenues from cut schedules in real time. The Chief Judge directed that the Trial Staff file on or before May 15, 2003, a supplement to its investigation report addressing the three issues set forth above and present evidence on the scope of its investigation. He also scheduled a further prehearing conference on May 20, 2003, to discuss whether the settlement, as supplemented, can be certified to the Commission by the Chief Judge.

3. On May 15, 2003 the Trial Staff submitted a Supplemental Report to its investigation report filed as Appendix A (Trial Staff's Initial Report) to the Agreement in Resolution of Section 206 Proceeding filed on January 30, 2003. The Trial Staff's Supplemental Report performed additional analysis with respect to the issues raised by the Chief Judge at the April 9, 2003, further prehearing conference and at the conference on May 20, 2003, and presented testimony describing the scope and extent of its investigation. The Supplemental Report does not alter the Trial Staff's conclusions set forth in the Initial Report appended to the January 30 proposed Agreement. The Trial Staff along with Avista Utilities and Avista Energy strongly urged the Chief Judge to certify the proposed Agreement and the Commission to approve it.

4. The Chief Judge on June 25, 2003, denied the request to certify the settlement to the Commission because there appeared to be unresolved issues of

material fact. However, on July 24, 2003, the Chief Judge granted reconsideration of June 25th earlier ruling and upon reconsideration found that there were no longer any pending unresolved issues of material fact and that the record in this proceeding is sufficient for the Commission to base a determination on the merits of the settlement. A copy of the July 24, 2003 Order of Chief Judge Granting Reconsideration, Denying Motion for Leave to Take Interlocutory Appeal as Moot, and Cancelling Procedural Schedule is attached hereto and made a part hereof by reference.

BACKGROUND

5. On August 13, 2002, the Commission initiated a section 206 proceeding to investigate Avista Utilities and Avista Energy's activities over the 2000-2001 period for instances of possible misconduct by Avista Utilities, Avista Energy, and two affiliates of Enron Corporation: Enron Power Marketing, Inc. (EPMI), and Portland General Electric Corporation (Portland) (collectively, Enron) to determine whether the misconduct occurred and if so to determine remedies, including possibly refunds and/or revocation of Avista Utilities and Avista Energy's and/or Enron's market-based rate authority (100 FERC P 61,187). The Commission's August 13, 2002 order set for hearing the following three issues:

- i. Whether, and if so the extent to which, Avista Utilities or Avista Energy engaged in or facilitated the trading strategies identified in the Enron Corporation ("Enron") memoranda released by the Commission on May 6, 2002.
- ii. Whether, and if so the extent to which, Avista Utilities or Avista Energy engaged in trading activities that violated the Commission's prohibitions on affiliate sales.
- iii. Whether Avista Utilities and Avista Energy provided all relevant information in the Commission's investigation in Docket No. PA02-2-000.

6. On September 5, 2003, the Chief Judge designated himself as the presiding judge in this case, established Track II procedures, and scheduled a prehearing conference to be held on September 12, 2003. On December 20, 2002, the Chief Judge suspended the established procedural schedule in this proceeding in order to allow the Trial Staff and Avista Utilities and Avista Energy to execute an agreement that would settle the issues relating to Avista Utilities and Avista Energy that were

set for hearing herein. The Chief Judge on the same date severed the non-Avista third-party transaction issues dealing with market manipulation by Enron Power Marketing, Inc., and Portland General Electric Corporation from this proceeding and consolidated these issues into the proceeding in Portland General Electric Company and Enron Power Marketing, Inc., Docket No. EL02-114-000 for hearing and decision. The Chief Judge further ordered that these issues be heard under Docket No. EL02-115-001.

THE PROPOSED AGREEMENT

TRIAL STAFF INVESTIGATION

7. Section II of the proposed Agreement provides an overview of the investigation undertaken by the Trial Staff after the issuance of the August 13, 2003 Order. Section II states that the Trial Staff engaged in an analysis of all of the facts and circumstances surrounding the transactions that were the subject of the Commission's June 4, 2002 Order To Show Cause Why Market-Based Rate Authority Should Not Be Revoked, 99 FERC P 61,272 ("Show Cause Order"), including, as to those transactions, a review of all relevant trading tapes and accounting documents, and interviews with Avista Utilities personnel. Section II also states that the Trial Staff adopted an expansive view of its investigative mandate with respect to affiliate transactions, and that the Trial Staff examined all transactions in which Avista Utilities or Avista Energy had dealt with Enron or Portland General Electric Company ("PGE"), as well as information on all transactions in which Avista Utilities or Avista Energy engaged in simultaneous buy/sell transactions between other sets of affiliated companies during 2000 and 2001.

8. The proposed Agreement states that the Trial Staff's investigation was conducted in a manner calculated to elicit as much relevant information from Avista Utilities and Avista Energy as possible. The proposed Agreement also states that the investigation began with several informal meetings between the Trial Staff and representatives of both Avista Utilities and Avista Energy, including management and trading personnel, to discuss the operations of both companies, and to answer questions by the Trial Staff in preparation for more formal discovery. As outlined by the proposed Agreement, after the prehearing conference on September 12, 2002, the Trial Staff issued to both Avista Utilities and Avista Energy several detailed discovery requests, which produced a significant amount of information for review by the Trial Staff. Those discovery requests were supplemented by a four-day Field Audit undertaken by the Trial Staff at the corporate offices of Avista Utilities and the corporate offices of Avista Energy, both of which are in Spokane, Washington.

FINDINGS OF THE INVESTIGATION

9. Section III of the proposed Agreement, and Appendix A of the proposed Agreement, set forth in detail the findings of the Trial Staff's investigation. Specifically, Section III of the proposed Agreement enumerates the following findings:

- The Trial Staff's investigation found no evidence that any executives or employees of Avista Utilities or Avista Energy knowingly engaged in or facilitated any improper trading strategies.
- The Trial Staff's investigation found no evidence that Avista Utilities or Avista Energy engaged in any efforts to manipulate the Western energy markets during 2000 and 2001.
- The responses of Avista Utilities and Avista Energy to the Trial Staff investigation indicated an overall cooperative attitude and response. The Trial Staff did not find that Avista Utilities or Avista Energy withheld relevant information from the Commission's inquiry into the Western energy markets for 2000 and 2001 in Docket No. PA02-2-000.

10. Appendix A, which is cross referenced by Section III of the proposed Agreement, provides a detailed explanation of the basis for the Trial Staff's findings, including an extensive set of citations to information provided to the Trial Staff by Avista Utilities and Avista Energy during the discovery process. Appendix A begins with an explanation of the Trial Staff's conclusion that its investigation found no evidence that any executives or employees of Avista Utilities or Avista Energy knowingly engaged in or facilitated any improper trading strategies or engaged in any efforts to manipulate the Western energy markets during 2000 and 2001. That explanation provides a description of the information examined and the conclusions reached by the Trial Staff with respect to the Enron trading strategies, particularly the "Deathstar" trading strategy, the "Big Foot" trading strategy, and the "Get Shorty" trading strategy, the core business practices of Avista Utilities and Avista Energy, the relationship between Avista Energy and Turlock Irrigation District, the participation by Avista Utilities and Avista Energy in the congestion management markets, the participation by Avista Utilities and Avista Energy in the energy options markets. That part of Appendix A also provides a description of the information examined and the conclusions reached by the Trial Staff with respect to various internal Avista Utilities and Avista Energy operations issues, including the

maintenance of daily transaction logs by Avista Utilities and Avista Energy, the telephone taping system used by the two companies, the account settlement processes used by Avista Utilities and Avista Energy, the revenues earned by Avista Utilities in the transactions specified by the Show Cause Order, and affiliate transaction questions raised by certain Avista Utilities transactions with Enron.

11. The next part of Appendix A provides an explanation of the Trial Staff's conclusions that neither Avista Utilities nor Avista Energy engaged in any trading activities that violated the Commission's prohibitions on affiliate transactions. That part of Appendix A provides a description of the practice of "sleeving" energy in the Western power markets, outlines the potential concerns about sleeving transactions on the part of the Trial Staff, and concludes that neither Avista Utilities nor Avista Energy engaged in any simultaneous buy/sell transactions with affiliates during the relevant period that circumvented the Commission's rules on affiliate transactions. That part of Appendix A also notes that the Trial Staff examined the separation of functions practices of Avista Utilities and Avista Energy, and that the Trial Staff found that the corporate separations required by the Commission are clear and enforced at the two companies.

12. The final part of Appendix A explains the basis for the Trial Staff's conclusion that there was no evidence that Avista Utilities or Avista Energy withheld relevant information from the Commission's inquiry into the Western energy markets for 2000 and 2001 in Docket No. PA02-2-000. This part of Appendix A also explains that during the investigation in Docket No. EL02-115-000, the responses of both Avista Utilities and Avista Energy indicated an overall cooperative attitude and response.

THE TRIAL STAFF'S SUPPLEMENTAL REPORT

13. The Trial Staff's Supplemental Report, which included the affidavits of Trial Staff witnesses Patrick R. Crowley with accompanying Exhibits S-7 through S-14 (Crowley Affidavit) and Andrew M. Bieltz, addresses the three issues of concern set forth by the Chief Judge. With respect to these issues, the Trial Staff reviewed thousands of calls and hundreds of hours of energy trader recordings. The affidavits explain the complexities of the listening devices, the rationale for selection of certain time periods for review, the amount of time spent listening to these tapes and lists the specific time periods reviewed. The Trial Staff's Supplemental Report, as well as the Initial Report, point out that while confusion was apparent during the conversations related to the Enron-PGE-Avista Utilities transactions, no conversations indicated that Avista Utilities or Avista Energy knowingly colluded with Enron or PGE in any Enron-defined energy trading scheme. Further, with respect to the three schemes addressed in the Supplemental Report and attached

affidavits, the Trial Staff did not find any conversations of Avista Energy traders related thereto.

RECOMMENDATIONS AND FUTURE ACTIONS

14. The Trial Staff, Avista Utilities, and Avista Energy recommend that the Chief Judge certify the instant proposed Agreement, including the Supplemental Report, to the Commission. They believe that it represents a reasonable resolution of the issues herein.

15. Section IV of the proposed Agreement states that based on the findings of its investigation into the issues set for hearing, Trial Staff does not recommend or advocate any remedial measures be taken against Avista Utilities or Avista Energy under Section 206 of the Federal Power Act, and does not recommend any remedy involving payment of refunds, relinquishment or modification of market-based rate authority, or assessment of penalties. The proposed Agreement also identifies certain other concerns on the part of the Trial Staff, as well as Staff recommendations, and responses on the part of Avista Utilities and Avista Energy. The Trial Staff, Avista Utilities, and Avista Energy have agreed that Avista Utilities and Avista Energy will, inter alia, continue to tape record energy trader conversations, develop further documentation for resolution of accounting disputes with counterparties, and maintain a training program on the applicable FERC Code of Conduct.

16. The Trial Staff recommends that Avista Utilities undertake certain improvements in its taping system. If the industry standard with respect to taping changes, Avista Utilities shall provide 60 days' notice to the Commission if it intends to change to that new industry standard. With regard to electronic transaction recordation in archivable data files, Avista Utilities states that it began to supplement its CASSO accounting system with a double-entry system of recording all transactions entered in both CASSO and RiskWorks, an in-house data collection software package, and that it has just transitioned (as of November 20, 2002) to a more powerful and more accessible data recordation software package called "Nucleus," which replaces the RiskWorks package.

17. The Trial Staff also expresses certain concerns about the Avista Utilities account settlement process. Avista Utilities agrees that it will continue to resolve disputes in accord with the Western Systems Power Pool tariff, document the chain of command for accounting dispute resolution, and develop an internal tracking mechanism for auditing such adjustments. Finally, Avista Utilities and Avista Energy commit to maintaining an annual training program on the applicable FERC

Code of Conduct for all employees engaged in the trading of electric energy and capacity, and maintaining records of successful completion of each training session.

COMMENTS TO THE PROPOSED AGREEMENT

18. Initial comments to the January 30, 2003, proposed Agreement were filed on February 19, 2003 by the City of Tacoma, Washington (Tacoma) (Tacoma attached the affidavit of Philip J. Movish), the People of the State of California, ex rel. Bill Lockyer, Attorney General ("California AG"), the California Public Utilities Commission ("CPUC") and the California Electricity Oversight Board ("EOB") (collectively "California State Parties"), and by Portland General Electric Company (Portland General). Tacoma and the California State Parties oppose the settlement and request that it be rejected on the grounds that the factual assertions on which the settlement is predicated are unsupported by any witness under oath; that the FERC's Trial Staff had incomplete access to evidence in the custody of the Commission; that it is unclear whether the Trial Staff examined all available evidence; that interveners had no access to certain information in the custody of the Commission and/or the Trial Staff; that the Trial Staff's refusal to provide the results of discovery to other parties denied the participants of due process and equal protection of law; that the absence of Commission published rules and regulations that adequately describe the role of interveners in a Section 206 proceeding initiated by the Commission has resulted in the denial of due process to participants; and that these are these are issues of material fact for which an evidentiary hearing is required. Portland General supports the proposed Agreement and recommends that the Chief Judge certify it to the Commission for approval, but takes issue with the Trial Staff's characterization of circular transactions as either contrary to or potentially contrary to the California Independent System Operator's ("ISO") rules and anti-gaming tariff provisions.

19. Reply Comments were filed on March 3, 2003, by Avista Utilities and Avista Energy (jointly), and by the Trial Staff. The Trial Staff attached the affidavit of Patrick R. Crowley to its reply comments.

20. On April 1, 2003, counsel for Tacoma filed a motion for leave to supplement its comments to include the Commission Investigative Staff's Final Report. On April 8, 2003, Counsel for Avista Utilities and Avista Energy filed an answer to Tacoma's motion. Avista Utilities and Avista Energy do not object to Tacoma submitting this additional material. On April 9, 2003, the Chief Judge made the Final Report an exhibit in the case (Chief Judge's Exhibit 1).

21. As indicated before herein the Chief Judge ruled on April 9, 2003, that the proposed settlement could not be certified because it was in conflict with the

Commission investigative staff's Final Report. The Chief Judge pointed out that the Final Report found possible misconduct by Avista Utilities and Avista Energy with regard to megawatt laundering or "Ricochet", the sell back of ancillary services or "get shorty", and counterflow revenues from cut schedules in realtime, while the proposed agreement finds that no executive or employee of Avista Utilities or Avista Energy knowingly engaged in or facilitated improper trading strategies or engaged in the manipulation of the Western Markets during the years 2000 and 2001. Under the circumstances the Chief Judge directed the Trial Staff to supplement the Trial Staff Investigative Report and describe the scope of its investigation. The Trial Staff filed a supplement to its investigation report attached to the proposed settlement with affidavits of Andrew Bieltz and Patrick Crowley which were admitted into evidence as Chief Judge exhibits. The Trial Staff presented Mr. Crowley as a witness at the conference before the Chief Judge on May 20, 2003, to summarize the supplement and answer clarifying questions. The Chief Judge gave the parties an opportunity to file comments and reply comments on the said supplement. Comments were filed by Tacoma and by the California State Parties, and reply comments were filed by the Trial Staff and by Avista Utilities and Avista Energy. The California State Parties argue that the Trial Staff supplement does not support the Trial Staff's conclusions that Avista Utilities and Avista Energy did not engage in the three Enron trading strategies in issue herein, and, in general that the Trial Staff's review was inadequate. Tacoma asserts that there are genuine issues of material fact that remain unresolved in this case pointing out the direct contradiction between Trial Staff's unsupported conclusions regarding taped conversations and the specific examples from the transcripts cited in Mr. Movish's affidavit, an opportunity to attend the meetings, review the materials examined, or to comment.

22. The Trial Staff in its reply comments asserts that Tacoma and the California State Parties in their replies to the Staff's Supplemental Report failed to provide any evidence of a genuine issue of material fact supported by an affidavit. The Trial Staff further argues that the comments of Tacoma and the California State Parties are just a baseless attack on the sufficiency of the Trial Staff's review. The Trial Staff again states that the proposed settlement is fair and reasonable and should be certified to the Commission for approval. Avista Utilities and Avista Energy allege that the comments of the California State Parties and Tacoma merely resurrect arguments already made which were discredited by the Trial Staff's investigation and should not be a basis for rejecting the proposed Agreement.

DISCUSSION

23. The Chief Judge, after a thorough review of Chief Judge exhibits 1 through 7; transcripts of the five prehearing conferences, Tr. Pages 1 - 299; the proposed Agreement, the comments and reply comments thereto; the Trial Staff's supplement to the proposed Agreement; the explanatory hearing on the supplemental filing; the

comments and reply comments of the parties on the supplemental filing, the Trial Staff's July 10, 2003, motion for reconsideration and the Avista Utilities and Avista Energy July 10, 2003, motion for leave to file an interlocutory appeal finds that there are no longer any unresolved issues of material fact remaining in this proceeding; that the Commission Trial Staff's investigation was as thorough and complete as it could possibly be under the circumstances of this case and the other pending Enron cases; that every effort was made to uncover any possible wrongdoing; and that Avista cooperated to the maximum extent in providing information and data. The Chief Judge further finds that the proposed settlement disposes of all issues set for hearing in this proceeding, that it is just, reasonable, and in the public interest.

CERTIFICATION

24. Pursuant to 18 C.F.R. Section 385.602(g), I hereby certify the following for consideration by the Commission:

- i. The Agreement in Resolution of this Section 206 Proceeding, with the attached FERC Trial Staff Investigation Report, including attachments, filed on January 30, 2003, by the Commission Trial Staff and Avista.
- ii. The Commission Trial Staff's Supplemental Investigation Report filed on May 15, 2003.
- iii. Initial Comments filed on February 19, 2003 by Tacoma, the California Parties, and by Portland General.
- iv. Reply comments filed on March 3, 2003, by Avista Utilities and Avista Energy, and by the Trial Staff.
- v. Supplemental initial comments on the Supplemental Investigative report filed on May 27, 2003, by Tacoma and by the California Parties.
- vi. Supplemental reply comments on the Supplemental Investigative report filed on June 3, 2003, by Avista Utilities and Avista Energy and by the Commission Trial Staff.
- vii. All pleadings, orders and other documents of record in this proceeding.
- viii. Chief Judge's Exhibits 1 through 7. All of which were identified and admitted into evidence.

- ix. The transcript of conferences held herein, consisting of Volumes 1 through 5, pages 1 through 299.

Curtis L. Wagner, Jr.
Chief Administrative Law Judge

NEWS RELEASE

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FOR IMMEDIATE RELEASE
 July 30, 2003
 7:05 a.m. EDT

AVISTA CORP. REPORTS Q2 2003 EARNINGS
 2003 EARNINGS GUIDANCE REVISED UPWARD

SPOKANE, WASH.: Avista Corp. (NYSE: AVA) today reported second-quarter 2003 consolidated revenues of \$218.6 million and earnings of \$0.25 per diluted share from continuing operations. Net income available for common stock totaled \$8.4 million or \$0.17 per diluted share, including the discontinued operations of Avista Labs.

Results for second quarter and year-to-date 2003:

(\$ millions except per-share data)	Q2 2003	Q2 2002	YTD 2003	YTD 2002
Consolidated Revenues	\$ 218.6	\$ 219.6	\$ 530.3	\$ 546.2
Income from Operations	\$ 44.1	\$ 43.0	\$ 99.1	\$ 92.3
Net Income Available for Common Stock	\$ 8.4	\$ 9.7	\$ 24.0	\$ 20.2
Business Segments: (Earnings per diluted share)				
Avista Utilities	\$ 0.21	\$ 0.24	\$ 0.37	\$ 0.50
Energy Marketing & Resource Management	\$ 0.07	\$ 0.18	\$ 0.34	\$ 0.35
Avista Advantage	(\$ 0.01)	(\$ 0.03)	(\$ 0.02)	(\$ 0.05)
Other	(\$ 0.02)	(\$ 0.15)	(\$ 0.07)	(\$ 0.21)
SUBTOTAL (CONTINUING OPERATIONS)	\$ 0.25	\$ 0.24	\$ 0.62	\$ 0.59
Avista Labs & Avista Communications* (discontinued operations)	(\$ 0.08)	(\$ 0.04)	(\$ 0.10)	(\$ 0.08)
SUBTOTAL (BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE)	\$ 0.17	\$ 0.20	\$ 0.52	\$ 0.51
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	--	--	(\$ 0.02)**	(\$ 0.09)
TOTAL - (EARNINGS PER DILUTED SHARE)	\$ 0.17	\$ 0.20	\$ 0.50	\$ 0.42

*Avista Communications is only included in 2002 amounts.

**Represents a charge of \$1.2 million (net of tax) for Avista Energy's adoption of SFAS No. 133.

"Avista continues to make progress in achieving the goals we set to return the company to financial health," said Gary G. Ely, Avista Corp. chairman, president and chief executive officer. "We are pleased to report that our continuing operations delivered strong earnings this quarter, and that the planned reduction in our majority ownership of Avista Labs has been accomplished."

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HIGHLIGHTS:

- - FERC: On July 24, Federal Energy Regulatory Commission (FERC) Chief Administrative Law Judge Curtis L. Wagner Jr. granted a motion for reconsideration filed earlier this month by FERC Trial Staff and certified an agreement to the FERC commissioners that, if approved, would resolve the ongoing investigation of Avista in that proceeding. In granting the FERC Trial Staff motion, Judge Wagner concluded that there are no longer any unresolved issues of material fact remaining. In certifying the agreement, Judge Wagner noted that the proposed resolution disposes of all issues set for hearing in the proceeding and that it is just, reasonable and in the public interest.
- - UTILITY GENERATION: With the commercial operation of the Coyote Springs 2 facility beginning in July, Avista now owns or controls resources to meet its native retail load. The 280-megawatt, combined cycle, natural gas-powered plant is co-owned with Mirant, which equally shares the costs and the power output with Avista.
- - CORPORATE CREDIT SUPPORT: Avista Corp. entered into a \$245 million committed line of credit, replacing a previous \$225 million credit facility. The expanded facility reflects increased bank confidence in the company's progress toward financial recovery. Avista has reduced its debt load and associated interest expense by repurchasing a total of \$42 million so far in 2003, in addition to the \$204 million repurchased in 2002.
- - AVISTA ENERGY: The company's unregulated energy business continues to perform well, with positive earnings for the 13th consecutive quarter. Avista Energy has completed a renewal of its line of credit, receiving its first-ever committed facility, totaling \$110 million, which reflects its position as a strong, asset-backed performer in Western energy markets.
- - AVISTA LABS: Avista Corp. reduced its ownership interest in Avista Labs, retaining 19.9 percent of the fuel cell company. An impairment charge of approximately \$2.5 million (net of tax), or \$0.05 per diluted share, was taken in Q2.
- - AVISTA ADVANTAGE: Year-to-date 2003 Avista Advantage, a premier business process outsourcer for the evaluation and payment of utility bills and other invoices, has increased the number of customers billed by 17 percent and revenues by 25 percent over the same period in 2002. A 36 percent growth in savings in the total-cost-per-account was noted in the first six months of this year as compared to the same period last year.

OUTLOOK AND EARNINGS GUIDANCE:

Avista revises its 2003 consolidated corporate earnings outlook upward to between \$0.85 and \$1.05 per diluted share because of the strong performance of Avista Energy. This guidance is prior to any adjustments related to the cumulative effects of changes in accounting principles and includes a range of \$0.60 to \$0.80 for

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Avista Utilities, \$0.35 to \$0.50 for the Energy Marketing and Resource Management segment, a loss of approximately \$0.05 for Avista Advantage and a loss of \$0.10 for the discontinued operations of Avista Labs. For 2004, the company anticipates consolidated diluted earnings to exceed \$1.00 per share, including continued improving performance at Avista Utilities and \$0.20 to \$0.30 per diluted share from Avista Energy.

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 subsidiaries include Avista Advantage 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, and 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, 2002, and on Form 10-Q for the first quarter ended March 31, 2003.

NOTE: Avista Corp. will host an investor conference call on July 30, 2003, at 10:30 a.m. EDT. To participate, call (415) 228-4637 approximately five minutes in advance to ensure you are connected. The passcode is "Avista."

A replay of the conference call will be available beginning July 30, at 3 p.m. EDT through Fri., Aug. 1, at 8:00 p.m. EDT. Call (402) 220-5090 to listen to the replay.

A webcast of this investor conference call will occur simultaneously. To register for the webcast, please go to www.avistacorp.com.

A webcast replay will be archived through 12 a.m. EDT on Aug. 29, at www.avistacorp.com.

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

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

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
OPERATING REVENUES	\$ 218,553	\$ 219,561	\$ 530,274	\$ 546,234
OPERATING EXPENSES:				
Resource costs	84,127	79,519	242,871	265,309
Operations and maintenance	32,474	29,253	64,791	59,881
Administrative and general	23,371	33,401	51,958	56,472
Depreciation and amortization	18,904	17,737	37,846	35,489
Taxes other than income taxes	15,568	16,609	33,709	36,829
Total operating expenses	174,444	176,519	431,175	453,980
INCOME FROM OPERATIONS	44,109	43,042	99,099	92,254
OTHER INCOME (EXPENSE):				
Interest expense	(23,159)	(26,644)	(46,692)	(55,499)
Capitalized interest	187	2,095	359	4,390
Net interest expense	(22,972)	(24,549)	(46,333)	(51,109)
Other income - net	2,038	3,415	2,235	10,473
Total other income (expense) - net	(20,934)	(21,134)	(44,098)	(40,636)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	23,175	21,908	55,001	51,618
INCOME TAXES	10,462	9,616	23,846	22,350
INCOME FROM CONTINUING OPERATIONS	12,713	12,292	31,155	29,268
LOSS FROM DISCONTINUED OPERATIONS (Note 1)	(3,744)	(1,947)	(4,864)	(3,675)
NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	8,969	10,345	26,291	25,593
CUMULATIVE EFFECT OF ACCOUNTING CHANGE (net of tax) (Note 2)	--	--	(1,190)	(4,148)
NET INCOME	8,969	10,345	25,101	21,445
DEDUCT - Preferred stock dividend requirements	547	608	1,125	1,216
INCOME AVAILABLE FOR COMMON STOCK	\$ 8,422	\$ 9,737	\$ 23,976	\$ 20,229
Weighted-average common shares outstanding (thousands), Basic	48,224	47,774	48,163	47,723
Weighted-average common shares outstanding (thousands), Diluted	48,329	47,857	48,210	47,809
EARNINGS PER COMMON SHARE, BASIC AND DILUTED:				
Earnings per common share from continuing operations	\$ 0.25	\$ 0.24	\$ 0.62	\$ 0.59
Loss per common share from discontinued operations (Note 1)	(0.08)	(0.04)	(0.10)	(0.08)
Earnings per common share before cumulative effect of accounting change	0.17	0.20	0.52	0.51
Loss per common share from cumulative effect of accounting change (Note 2)	--	--	(0.02)	(0.09)
Total earnings per common share, basic and diluted	\$ 0.17	\$ 0.20	\$ 0.50	\$ 0.42
Dividends paid per common share	\$ 0.12	\$ 0.12	\$ 0.24	\$ 0.24
SUPPLEMENTAL INFORMATION				
INCOME (LOSS) FROM CONTINUING OPERATIONS BY BUSINESS SEGMENT:				
Avista Utilities	\$ 10,711	\$ 12,004	\$ 19,036	\$ 25,249
Energy Marketing and Resource Management	\$ 3,180	\$ 8,506	\$ 16,245	\$ 16,686
Avista Advantage	\$ (325)	\$ (1,354)	\$ (964)	\$ (2,646)
Other	\$ (853)	\$ (6,864)	\$ (3,162)	\$ (10,021)

Note 1. In July 2003, Avista Corp. announced an investment by a group of private equity investors in a new entity, AVLB, Inc., which acquired the assets previously held by Avista Corp.'s fuel cell manufacturing and development subsidiary, Avista Labs. The investors have raised an initial \$7.5 million in funding, which includes a commitment by Avista Corp. to provide funding of up to \$1.5 million under certain conditions. Avista Corp. has a 19.9 (or \$2.1 million) percent ownership interest in AVLB, Inc. The reduction in Avista Corp.'s ownership interest in this business resulted in an impairment charge of \$2.5 million (net of tax) during the three and six months ended June 30, 2003.

Note 2. Amount for the six months ended June 30, 2003 represents Avista Energy's transition from Emerging Issues Task Force Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" to Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." Amount for the six months ended June 30, 2002 represents the transitional adjustment related to the Company's adoption of an accounting standard for goodwill. The Company determined that \$6.4 million of goodwill related to a subsidiary of Avista Ventures was impaired in accordance with this accounting standard.

AVISTA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in Thousands)

	JUNE 30, 2003 -----	DECEMBER 31, 2002 -----
ASSETS		
Cash and cash equivalents	\$ 219,542	\$ 186,269
Accounts and notes receivable	245,166	320,836
Current energy commodity assets	342,046	365,477
Other current assets	78,133	101,083
Total net utility property	1,675,988	1,563,704
Investment in exchange power-net	39,608	40,833
Non-utility properties and investments-net	93,996	199,579
Non-current energy commodity assets	352,469	348,309
Other property and investments-net	14,846	12,702
Regulatory assets for deferred income taxes	134,112	139,138
Other regulatory assets	26,958	29,735
Utility energy commodity derivative assets	53,170	60,322
Power and natural gas deferrals	162,357	166,782
Other deferred charges	79,153	79,364
	-----	-----
TOTAL ASSETS	\$3,517,544	\$3,614,133
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 247,423	\$ 339,637
Current energy commodity liabilities	298,786	304,781
Current portion of long-term debt	62,333	71,896
Short-term borrowings	35,533	30,000
Other current liabilities	229,171	194,516
Non-current energy commodity liabilities	319,495	314,204
Utility energy commodity derivative liabilities	40,650	50,058
Deferred income taxes	435,291	454,147
Long-term debt	879,854	902,635
Other non-current liabilities and other deferred credits	108,029	106,218
Preferred trust securities	100,000	100,000
Preferred stock	31,500	33,250
Common stock - net (48,265,237 and 48,044,208 outstanding shares)	610,586	607,018
Retained earnings and other comprehensive loss	118,893	105,773
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$3,517,544	\$3,614,133
	=====	=====

AVISTA CORPORATION
FINANCIAL AND OPERATING HIGHLIGHTS
(Dollars in Thousands)

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
AVISTA UTILITIES				
Retail electric revenues	\$ 110,780	\$ 105,862	\$ 235,048	\$ 231,461
Retail kWh sales (in millions)	1,795	1,724	3,775	3,791
Retail electric customers at end of period	320,285	316,216	320,285	316,216
Wholesale electric revenues	\$ 25,459	\$ 18,775	\$ 41,466	\$ 34,141
Wholesale kWh sales (in millions)	986	870	1,410	1,232
Other electric revenues	\$ 21,284	\$ 11,753	\$ 43,602	\$ 21,580
Total natural gas revenues	\$ 49,099	\$ 54,583	\$ 146,246	\$ 189,449
Total therm sales (in thousands)	96,566	101,539	265,186	293,677
Retail natural gas customers at end of period	291,595	283,355	291,595	283,355
Income from operations (pre-tax)	\$ 41,026	\$ 41,194	\$ 77,899	\$ 86,390
ENERGY MARKETING AND RESOURCE MANAGEMENT				
Gross margin (operating revenues less resource costs)	\$ 9,596	\$ 19,907	\$ 38,497	\$ 34,352
Income from operations (pre-tax)	\$ 4,616	\$ 12,306	\$ 24,421	\$ 21,430
Electric sales (millions of kWhs)	11,499	13,370	21,007	22,269
Natural gas sales (thousands of dekatherms)	50,988	72,748	108,637	125,106
AVISTA ADVANTAGE				
Revenues	\$ 4,970	\$ 3,964	\$ 9,734	\$ 7,763
Loss from operations (pre-tax)	\$ (307)	\$ (1,894)	\$ (1,102)	\$ (4,310)
OTHER				
Revenues	\$ 3,615	\$ 3,452	\$ 7,715	\$ 6,379
Loss from operations (pre-tax)	\$ (1,226)	\$ (8,564)	\$ (2,119)	\$ (11,256)

