

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): October 24, 2001

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 2. Acquisition or Disposition of Assets

On October 24, 2001, Avista Corporation (Avista Corp. or the Company) announced the signing of a letter of intent to sell 50 percent of the Coyote Springs 2 power plant project to Mirant Corp. The Company's press release disclosing this event as well as other information is filed as Exhibit 99(a) hereto. The sale is expected to close by the end of 2001. The Company and Mirant Corp. will share equally in the costs of construction and operation of the plant. As of September 30, 2001, Avista Corp. had \$139.4 million invested in the Coyote Springs 2 power plant project. The Coyote Springs 2 power plant is a 280 MW combined cycle natural gas turbine power plant located near Boardman, Oregon. It is expected that the plant will begin commercial operation in mid-2002 and will have a total cost between \$180 million and \$190 million.

On October 24, 2001, the Company also announced that it continues to pursue the divestiture of its interest in Avista Communications, its telecommunications subsidiary. The Company announced that it expects to recognize an after-tax expense of approximately \$35 million in the third quarter of 2001 for the planned divestiture, which is expected to be completed by the end of 2001. The Company's press release disclosing this event as well as other information is filed as Exhibit 99(a) hereto.

On October 26, 2001, the Company announced that minority shareholders of Avista Communications will acquire ownership of Avista Communications' operations in Montana and Cody, Wyoming as well as dial-up internet access customers in Spokane, Washington and Coeur d'Alene, Idaho. The Company's press release disclosing this event is filed as Exhibit 99(b) hereto.

Item 5. Other Information

On October 31, 2001, the Company announced third quarter 2001 earnings in a press release filed as Exhibit 99(c) hereto. The Company reported third quarter 2001 consolidated revenues of \$1.40 billion and a net loss for the quarter of \$32.9 million, or \$0.69 per diluted share. The loss was due to a \$38.4 million after-tax loss, or \$0.81 per diluted share, related to the planned divestiture of the Avista Communications business unit.

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 October 24, 2001.
 - 99(b) Press Release dated October 26, 2001.
 - 99(c) Press Release dated October 31, 2001.
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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: October 31, 2001

/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:
October 24, 2001
7:45 a.m. EDT

AVISTA IMPLEMENTS ADDITIONAL MEASURES TO STRENGTHEN FINANCIAL POSITION
COMPANY ANNOUNCES SALE OF ASSETS AND FURTHER REDUCTIONS IN CAPITAL EXPENDITURES;
THIRD-QUARTER EARNINGS EXPECTED TO EXCEED CONSENSUS ESTIMATES BEFORE WRITE-DOWN

SPOKANE, WASH.: Avista Corp. (NYSE: AVA) today announced that it will implement additional measures to conserve cash, improve liquidity and reduce debt.

Gary G. Ely, Avista Corp. chairman, president and chief executive officer, said the company has signed a letter of intent with Mirant under which Avista will sell 50 percent of its interest in the Coyote Springs 2 power project. Mirant is one of the world's leading competitive energy providers. Avista currently has about \$140 million invested in this 280-megawatt project under construction near Boardman, Ore. The sale is expected to close by year-end, and the plant is scheduled to come on line in mid-2002. The two companies will share equally in the costs of construction and operation of the plant and will jointly own the project, which has an estimated cost of between \$180 million and \$190 million.

"We view this as a positive development both for our company and Mirant," Ely said. "We will retain a significant portion of this important generation project in addition to working with Mirant, a strong and valued partner."

Ely also said Avista is reducing utility capital expenditures by \$15 million for the remainder of 2001 and will reduce utility capital expenditures by approximately \$40 million from what was originally budgeted for 2002. The reductions are largely related to the company's efforts to improve cash flows.

As previously announced, Avista continues to actively pursue the divestiture of its interests in Avista Communications, its telecommunications affiliate. Avista expects to recognize an after-tax expense of approximately \$35 million in the third quarter related to the Avista Communications divestiture, which will be completed by year-end.

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Third quarter earnings, which will be announced Oct. 31, are expected to exceed the First Call consensus estimate of breakeven, exclusive of charges related to the divestiture of Avista Communications.

"We are focused on rebuilding the strength of our core energy businesses, improving liquidity and continuing to rebuild the financial strength of our company," Ely said.

Ely cited a number of factors that are expected to improve Avista's liquidity and debt position in the next 12 to 24 months, including increased cash flow from the temporary rate surcharges, an expected return to more normal hydroelectric generation conditions and completion of regulatory filings in Washington and Idaho to address recovery of remaining deferred power costs, as well as other issues. Avista will file a general rate case in Washington prior to Dec. 1.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista's affiliates include Avista Utilities, a company operating division that provides electric and natural gas service to customers in four western states. 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, 2000, and the Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2001.

[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:
October 26, 2001
7:45 a.m. EDT

AVISTA COMMUNICATIONS COMPLETES STRATEGIC TRANSACTION
MINORITY SHAREHOLDERS TO ACQUIRE MONTANA, WYOMING AND DIAL-UP CUSTOMERS

SPOKANE, WASH.: Avista Corp. (NYSE:AVA) affiliate Avista Communications today announced that its minority shareholders will acquire ownership of Avista Communications' Montana and Cody, Wyo. markets, and dial-up Internet access customers in Spokane, Wash., and Coeur d'Alene, Idaho. Terms of the agreement were not disclosed.

Avista Communications of Montana and Avista Communications of Wyoming are now part of a new parent company, One Eighty Communications, Inc., a facilities-based integrated communications provider (ICP). One Eighty Communications offers business customers telecommunications services delivered over high-speed broadband connections.

The transaction is part of a previously announced strategy to refocus Avista Corp. activities on energy and energy-related businesses. Avista Communications will continue to deliver service for its remaining markets as it prepares for an orderly transition.

Gregory D. Green, most recently Avista Communications' president and chief executive officer, has voluntarily resigned from Avista Communications and will assume the role of chairman and chief executive officer at One Eighty Communications.

"We wish Greg, the employees and shareholders of One Eighty great success in continuing to deliver quality services to customers," said Gary G. Ely, board chairman, president and chief executive officer for Avista Corp.

"It's been a tremendous opportunity, building this company from the ground up," said Green. "I'm grateful to have worked with such a dedicated team of employees and am extremely proud of what we have accomplished."

Green originally formed One Eighty Communications, a competitive local exchange carrier in 1998. Avista Corp. acquired majority interest in early 1999, creating Avista Communications, Inc.

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ABOUT AVISTA CORP.

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[AVISTA CORP. LOGO]

News Release

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 Investors: Angela Teed (509) 495-2930 angela.teed@avistacorp.com

FOR IMMEDIATE RELEASE:
 October 31, 2001
 7:05 a.m. EST

AVISTA CORP. REPORTS THIRD-QUARTER 2001 EARNINGS

SPOKANE, WASH.: Avista Corp. (NYSE: AVA) today reported third-quarter 2001 consolidated revenues of \$1.40 billion and a loss for the quarter of \$32.9 million, or (\$0.69) per diluted share. The loss was due to a \$38.4 million after-tax loss, or (\$0.81) per diluted share, related to the planned divestiture of the Avista Communications business unit. Avista reported third-quarter 2001 earnings from continuing operations of \$0.12 per diluted share, exceeding earnings estimates. For the equivalent quarter last year, Avista reported revenues of \$2.86 billion and earnings of \$0.72 per diluted share.

Avista's 2001 year-to-date earnings from continuing operations were \$1.32 per diluted share and, after the Avista Communications losses, were \$0.38 per diluted share. This compares to \$0.15 per diluted share from continuing operations, and \$0.01 per diluted share after the Avista Communications losses in the first nine months of 2000.

The company's business segments reported the following third-quarter diluted earnings per share:

BUSINESS SEGMENTS: (LOSS)	Q3 2001	Q3 2000
Avista Utilities	\$0.06	(\$0.02)
Energy Trading & Marketing	\$0.23	\$0.89
Information & Technology	(\$0.10)	(\$0.10)
Other	(\$0.07)*	(\$0.01)
SUBTOTAL:	\$0.12	\$0.76
Avista Communications	(\$0.81)**	(\$0.04)
TOTAL:	(\$0.69)	\$0.72

* The increase in net loss in 2001 is primarily a result of increased interest expense on inter-company borrowings between Avista Capital and Avista Corp. that is eliminated in the consolidated financial statements.

** Includes \$35.1 million after-tax impairment charge and \$3.3 million in operating losses for third-quarter 2001.

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Gary G. Ely, Avista Corp. chairman, president and chief executive officer said, "This was a critical quarter for Avista. We faced a number of challenges and instituted several aggressive measures to relieve financing pressure related to unprecedented-low hydro conditions, power plant construction expenditures and high power-cost-deferral balances. Additionally, we are working through an orderly transition to divest Avista Communications."

AVISTA UTILITIES

In September, the Washington Utilities and Transportation Commission approved a 25 percent electric surcharge, which will be in effect until the end of 2002. The commission's order will allow Avista Utilities to begin recovering a significant portion of the purchased-power costs the company has been deferring since July 2000. The deferral mechanism expires at the end of 2001.

As of Sept. 30, 2001, electric deferral balances in Washington and Idaho reached a combined total of approximately \$270 million. Almost \$200 million of the deferral balance was incurred on behalf of Washington customers. The remaining balance relates to energy delivered in Idaho.

The WUTC order allows Avista to recover approximately \$125 million, including \$71 million in cash by the end of 2002, on a subject-to-refund basis. Regulators also approved the use of a non-cash credit on the balance sheet of \$54 million to reduce the deferral balance. Under the Washington commission's order, Avista will file a general rate case by Dec. 1, 2001. Issues to be addressed will include the prudence of the deferred power costs, the recovery of the remaining deferral balance, power supply matters related to the Coyote Springs 2 generation project and some type of ongoing power cost adjustment mechanism. The general case is expected to be completed prior to the conclusion of the existing surcharge period that ends Dec. 31 next year.

At the end of the third-quarter 2001, the electric deferral balance in Idaho was \$71.5 million. An order issued by the Idaho Public Utilities Commission allows Avista to reduce the deferred power cost balance in Idaho by \$58.2 million. This includes the recovery of approximately \$23.6 million annually in cash and the use of a non-cash credit to reduce the deferral balance by an additional \$34.6 million. Under the Idaho order, Avista can request an extension of the surcharge to recover any deferred power costs that have not been collected.

Last week, Avista announced it had signed a letter of intent with Mirant to sell half of the Coyote Springs 2 natural gas generation project in which both will share equally in the costs. Avista has invested approximately \$140 million in this 280-megawatt facility, which is being constructed near Boardman, Ore., and is expected to begin operation in mid-2002. Total cost of the plant will be approximately \$190 million. The sale is expected to be completed by year-end.

"This sale will improve our liquidity and reduce our debt load," Ely said.

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ENERGY TRADING & MARKETING

Avista Energy, the company's unregulated energy trading and marketing business, continues to be well-positioned despite price declines that occurred during the quarter in both natural gas and electricity markets.

Ely said, "For six consecutive quarters, Avista Energy has exceeded our budgeted earnings expectations. This strong performance is the result of its western regional focus and its ability to market a strong portfolio of assets and contracts for gas and electric generation and transmission."

In September, the Rathdrum Power Project, a 270-megawatt combined-cycle, gas-turbine merchant power plant in northern Idaho, began commercial operation ahead of schedule. Avista owns 49 percent of the project, and Avista Energy has exclusive rights to market the entire power output of this plant for 25 years.

INFORMATION & TECHNOLOGY

Avista Labs continues to gain momentum in commercial sales of its hydrogen-only fuel cell for various applications, primarily back-up power for the commercial market. To date, 75 fuel cell units have been installed at 20 sites throughout the United States and Brazil. Avista Labs is on track toward its goal of selling 50 fuel cell units by year-end 2001.

Avista Labs' fuel processor subsidiary H2fuel is funding research at the University of Kentucky to study new methods for removing pure hydrogen from readily available fuels such as natural gas and propane. Researchers will focus on developing membranes that can efficiently and selectively remove carbon oxides from gas mixtures, which will reduce the complexity and cost of producing hydrogen for fuel cell applications.

At Avista Advantage, more than 200 national chains now use Advantage's Facility IQSM system to transform company invoice data into facility intelligence that helps clients proactively manage and reduce their facility-related costs. During the third quarter, Avista Advantage added a significant number of new clients, including Alaska Airlines, the Dairy Farmers of America, Food Lion and Hertz Corp.

For the third quarter, revenues for Avista Advantage were \$3.7 million compared to \$1.3 million in the same period last year, and its costs per bill processed continue to decline.

OUTLOOK AND EARNINGS GUIDANCE

A number of factors are expected to improve Avista's liquidity and debt position over the next two years. These factors include increased cash flow from current rate increases, a reduction in debt from the sale of assets and completion of a general rate case in Washington that will address, among other things, recovery of the remaining deferred power costs.

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Senior Vice President and Chief Financial Officer Jon E. Eliassen said, "As a result of the discontinued operations of Avista Communications, Avista's revised full-year 2001 consolidated corporate earnings are expected to be between \$0.45 and \$0.55 per diluted share."

Looking ahead to 2002, Eliassen added, "As we continue to rebuild our utility business, strengthen our cash flows and work with regulators to develop more comprehensive, permanent rate relief, corporate earnings are expected to improve slightly next year. Currently, 2002 corporate earnings are expected to be in the range of \$0.55 and \$0.75 per diluted share."

"If, through the regulatory filings, Avista Utilities is provided the opportunity to recover its ongoing power supply costs, we expect the utility to contribute between \$0.55 and \$0.65 in earnings. Avista Energy could earn in the range of \$0.35 to \$0.45 per share reflecting the expectation for less volatile wholesale market conditions. And, while we currently could see negative earnings exposure of between \$0.40 and \$0.50 per share in our technology businesses, we continue to explore options to partner with others to build out these entities. Depending on the extent of our success in building these partnerships, our 2002 consolidated corporate earnings could improve," said Eliassen.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista's affiliates include Avista Utilities, a company operating division that provides electric and natural gas service to customers in four western states. 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

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NOTE: Avista Corp. will host an investor conference call on Oct. 31, at 10:30 a.m. EST (New York Time). To participate, call (712) 271-0002 approximately five minutes in advance to ensure you are connected. The passcode is "Avista."

A replay of the conference call will be available beginning Oct. 31 at 3 p.m. EST through Friday, Nov. 2 at midnight EST. Call (402) 280-1618 to listen to the replay.

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

A Webcast replay will also be available through Nov. 7 at www.avistacorp.com

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

AVISTA CORPORATION

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000	2001	2000
OPERATING REVENUES	\$1,403,765	\$2,862,809	\$4,991,569	\$5,596,176
OPERATING EXPENSES:				
Resource costs	1,293,547	2,702,225	4,572,225	5,248,183
Operations and maintenance	23,555	29,738	71,739	81,227
Administrative and general	25,462	27,062	93,842	80,376
Depreciation and amortization	17,069	18,620	54,057	55,174
Taxes other than income taxes	10,513	13,936	44,089	42,401
Restructuring and exit costs	--	--	--	9,805
Total operating expenses	1,370,146	2,791,581	4,835,952	5,517,166
INCOME FROM OPERATIONS	33,619	71,228	155,617	79,010
OTHER INCOME (EXPENSE):				
Interest expense	(27,622)	(19,797)	(76,689)	(49,570)
Capitalized interest	2,792	274	7,338	734
Net interest expense	(24,830)	(19,523)	(69,351)	(48,836)
Other income - net	86	9,251	18,766	26,821
Total other income (expense) - net	(24,744)	(10,272)	(50,585)	(22,015)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	8,875	60,956	105,032	56,995
INCOME TAXES	2,764	24,537	40,820	26,943
INCOME FROM CONTINUING OPERATIONS	6,111	36,419	64,212	30,052
LOSS FROM DISCONTINUED OPERATIONS (Note 1)	(38,421)	(1,879)	(44,394)	(6,479)
NET INCOME (LOSS)	(32,310)	34,540	19,818	23,573
DEDUCT - Preferred stock dividend requirements (Note 2)	608	608	1,824	23,127
INCOME (LOSS) AVAILABLE FOR COMMON STOCK	\$(32,918)	\$33,932	\$17,994	\$446
Average common shares outstanding (thousands), Basic	47,486	47,147	47,366	45,193
EARNINGS (LOSS) PER COMMON SHARE, BASIC AND DILUTED:				
Earnings per common share from continuing operations	\$0.12	\$0.76	\$1.32	\$0.15
Loss per common share from discontinued operations	\$(0.81)	\$(0.04)	\$(0.94)	\$(0.14)
Total earnings (loss) per common share	\$(0.69)	\$0.72	\$0.38	\$0.01
Dividends paid per common share	\$0.12	\$0.12	\$0.36	\$0.36

SUPPLEMENTAL INFORMATION

INCOME (LOSS) FROM CONTINUING OPERATIONS BY BUSINESS SEGMENT:

AVISTA CORPORATION

FINANCIAL AND OPERATING HIGHLIGHTS
(Dollars in Thousands)

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000	2001	2000

