UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 1-3701

AVISTA CORPORATION

(Exact name of registrant as specified in its charter)

Washington	91-0462470
(State or other jurisdiction of incorporation or organization)	(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: 509-489-0500
Web site: http://www.avistacorp.com

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

At May 1, 2000, 47,110,537 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

AVISTA CORPORATION

Index

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Avista Corporation

For the Three Months Ended March 31
Thousands of Dollars

	2000	1999
OPERATING REVENUES	$ 1,381,974	$ 1,212,822
OPERATING EXPENSES:		
Resource costs	1,258,665	1,065,000
Operations and maintenance	27,422	52,772
Administrative and general	24,707	30,517
Depreciation and amortization	19,150	19,074
Taxes other than income taxes	16,110	15,096
Exit costs - Avista Energy's Eastern energy business	4,907	-
Restructuring charges - Pentzer	1,940	-
Total operating expenses	1,352,901	1,182,459
INCOME FROM OPERATIONS	29,073	30,363
OTHER INCOME (EXPENSE):		
Interest expense	(14,737)	(16,739)
Net gain on subsidiary transactions	-	16,479
Other income-net	3,362	1,586
Total other income (expense)-net	(11,375)	1,326
INCOME BEFORE INCOME TAXES	17,698	31,689
INCOME TAXES	7,173	12,301
NET INCOME	10,525	19,388
DEDUCT-Preferred stock dividend requirements (Note 5)	21,910	5,384
INCOME AVAILABLE FOR COMMON STOCK	$ (11,385)	$ 14,004
Average common shares outstanding (thousands), Basic (Note 5)	41,297	40,454
Average common shares outstanding (thousands), Diluted (Note 5)	49,524	55,960
EARNINGS PER SHARE OF COMMON STOCK, BASIC (Note 5)	$ (0.28)	$ 0.35
EARNINGS PER SHARE OF COMMON STOCK, DILUTED (Note 5)	$ (0.28)	$ 0.34
Dividends paid per common share	$ 0.12	$ 0.12
NET INCOME	$ 10,525	$ 19,388
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation adjustment	41	220
Unrealized investment gains/(losses)-net of tax	154	415
OTHER COMPREHENSIVE INCOME	195	635
COMPREHENSIVE INCOME	$ 10,720	$ 20,023

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED BALANCE SHEETS
Avista Corporation

Thousands of Dollars

	March 31, 2000	December 31, 1999
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 46,090	$ 40,041
Temporary cash investments	3,200	7,490
Accounts and notes receivable-net	382,727	530,774
Energy commodity assets	729,721	585,913
Materials and supplies, fuel stock and natural gas stored	22,109	28,352
Prepayments and other	39,756	21,499
Total current assets	1,223,603	1,214,069
UTILITY PROPERTY:		
Utility plant in service-net	2,196,694	2,184,698
Construction work in progress	32,664	30,912
Total	2,229,358	2,215,610
Less: Accumulated depreciation and amortization	725,716	714,773
Net utility plant	1,503,642	1,500,837
OTHER PROPERTY AND INVESTMENTS:		
Investment in exchange power-net	52,383	54,123
Non-utility properties and investments-net	138,528	137,213
Energy commodity assets	571,678	491,799
Other-net	32,976	31,051
Total other property and investments	795,565	714,186
DEFERRED CHARGES:		
Regulatory assets for deferred income tax	163,083	166,456
Conservation programs	43,900	44,444
Unamortized debt expense	31,117	31,122
Other-net	47,864	42,380
Total deferred charges	285,964	284,402
TOTAL	$3,808,774	$3,713,494
LIABILITIES AND CAPITALIZATION:		
CURRENT LIABILITIES:		
Accounts payable	$ 431,859	$ 522,478
Energy commodity liabilities	744,319	594,065
Taxes and interest accrued	43,923	35,123
Other	34,249	35,313
Total current liabilities	1,254,350	1,186,979
NON-CURRENT LIABILITIES AND DEFERRED CREDITS:		
Non-current liabilities	46,699	44,067
Deferred revenue	130,759	132,975
Energy commodity liabilities	516,751	441,372
Deferred income taxes	375,410	377,049
Other deferred credits	13,055	11,041
Total non-current liabilities and deferred credits	1,082,674	1,006,504
CAPITALIZATION (See Consolidated Statements of Capitalization)	1,471,750	1,520,011
COMMITMENTS AND CONTINGENCIES (Note 6)		
TOTAL	$3,808,774	$3,713,494

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED STATEMENTS OF CAPITALIZATION
Avista Corporation

Thousands of Dollars

	March 31, 2000	December 31, 1999
LONG-TERM DEBT:		
First Mortgage Bonds:		
Secured Medium-Term Notes:		
Series A - 6.13% to 7.90% due 2000 through 2023	$ 139,400	$ 139,400
Series B - 6.20% to 7.89% due 2000 through 2010	109,000	124,000
Total first mortgage bonds	248,400	263,400
Pollution Control Bonds:		
Floating Rate, Colstrip 1999A, due 2032	66,700	66,700
Floating Rate, Colstrip 1999B, due 2034	17,000	17,000
6% Series due 2023	4,100	4,100
Total pollution control bonds	87,800	87,800
Unsecured Medium-Term Notes:		
Series A - 7.94% to 9.57% due 2001 through 2007	31,000	31,000
Series B - 6.75% to 8.23% due 2001 through 2023	96,000	96,000
Series C - 5.99% to 8.02% due 2007 through 2028	109,000	109,000
Total unsecured medium-term notes	236,000	236,000
Notes payable (due within one year) to be refinanced	85,000	118,500
Other	11,581	12,503
Total long-term debt	668,781	718,203
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED TRUST SECURITIES:		
7 7/8%, Series A, due 2037	60,000	60,000
Floating Rate, Series B, due 2037	50,000	50,000
Total company-obligated mandatorily redeemable preferred trust securities	110,000	110,000
PREFERRED STOCK-CUMULATIVE:		
10,000,000 shares authorized:		
Subject to mandatory redemption:		
$6.95 Series K; 350,000 shares outstanding ($100 stated value)	35,000	35,000
Total subject to mandatory redemption	35,000	35,000
CONVERTIBLE PREFERRED STOCK:		
Not subject to mandatory redemption:		
$12.40 Convertible Series L; 0 and 1,508,210 shares outstanding ($182.80 stated value)	-	263,309
Total convertible preferred stock	-	263,309
COMMON EQUITY:		
Common stock, no par value; 200,000,000 shares authorized; 47,077,536 and 35,648,239 shares outstanding	607,467	318,731
Note receivable from employee stock ownership plan	(7,968)	(8,240)
Capital stock expense and other paid in capital	(12,027)	(4,347)
Other comprehensive income	29	(166)
Retained earnings	70,468	87,521
Total common equity	657,969	393,499
TOTAL CAPITALIZATION	$ 1,471,750	$ 1,520,011

The Accompanying Notes are an Integral Part of These Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
Avista Corporation

For the Three Months Ended March 31
Thousands of Dollars

	2000	1999
OPERATING ACTIVITIES:		
Net income	$ 10,525	$ 19,388
NON-CASH ITEMS INCLUDED IN NET INCOME:		
Depreciation and amortization	19,150	19,074
Provision for deferred income taxes	2,299	11,275
Allowance for equity funds used during construction	(283)	(301)
Power and natural gas cost deferrals and amortizations	591	(1,249)
Gain on sale of subsidiary investments and other-net	321	(10,869)
(Increase) decrease in working capital components:		
Sale of customer accounts receivables-net	25,000	-
Receivables and prepaid expense	69,806	(11,559)
Materials & supplies, fuel stock and natural gas stored	5,504	4,130
Payables and other accrued liabilities	(82,765)	9,874
Other	30,613	(4,506)
NET CASH PROVIDED BY OPERATING ACTIVITIES	80,761	35,257
INVESTING ACTIVITIES:		
Construction expenditures (excluding AFUDC-equity funds)	(18,076)	(16,327)
Other capital requirements	(6,086)	(6,877)
(Increase) decrease in other noncurrent balance sheet items-net	15,129	(2,422)
Proceeds from sale of subsidiary investments	-	63,483
Assets acquired and investments in subsidiaries	(1,810)	(40,755)
NET CASH USED IN INVESTING ACTIVITIES	(10,843)	(2,898)
FINANCING ACTIVITIES:		
Increase (decrease) in short-term borrowings	(36,030)	38,801
Proceeds from issuance of long-term debt	-	581
Redemption and maturity of long-term debt	(16,034)	(52,694)
Repurchase of common stock	(648)	-
Cash dividends paid	(9,473)	(10,250)
Other-net	(1,684)	(826)
NET CASH USED IN FINANCING ACTIVITIES	(63,869)	(24,388)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,049	7,971
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	40,041	72,836
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 46,090	$ 80,807
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period:		
Interest	$ 15,901	$ 13,862
Income taxes	1	1,439
Noncash financing and investing activities:		
Series L Preferred Stock converted to common stock	271,286	-
Property purchased under capitalized leases	-	267

The Accompanying Notes are an Integral Part of These Statements.

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
Avista Corporation

For the Three Months Ended March 31
Thousands of Dollars

	2000	1999
OPERATING REVENUES:		
Avista Utilities	$ 298,542	$ 266,786
Energy Trading and Marketing	1,106,188	895,691
Information and Technology	2,290	695
Avista Ventures	7,114	50,278
Intersegment eliminations	(32,160)	(628)
Total operating revenues	$ 1,381,974	$ 1,212,822
RESOURCE COSTS:		
Avista Utilities:		
Power purchased	$ 119,133	$ 110,088
Natural gas purchased for resale	42,549	35,191
Fuel for generation	13,568	8,001
Other	12,884	10,473
Energy Trading and Marketing:		
Cost of sales	1,102,691	901,875
Intersegment eliminations	(32,160)	(628)
Total resource costs (excluding non-energy businesses)	$ 1,258,665	$ 1,065,000
GROSS MARGINS:		
Avista Utilities	$ 110,408	$ 103,033
Energy Trading and Marketing	3,497	(6,184)
Total gross margins (excluding non-energy businesses)	$ 113,905	$ 96,849
OPERATIONS AND MAINTENANCE EXPENSES:		
Avista Utilities	$ 16,265	$ 13,035
Energy Trading and Marketing	567	10
Information and Technology	4,632	1,341
Avista Ventures	5,958	38,386
Total operations and maintenance expenses	$ 27,422	$ 52,772
ADMINISTRATIVE AND GENERAL EXPENSES:		
Avista Utilities	$ 14,338	$ 14,490
Energy Trading and Marketing	3,782	6,076
Information and Technology	4,879	906
Avista Ventures	1,708	9,045
Total administrative and general expenses	$ 24,707	$ 30,517
DEPRECIATION AND AMORTIZATION EXPENSES:		
Avista Utilities	$ 16,685	$ 15,453
Energy Trading and Marketing	652	559
Information and Technology	825	208
Avista Ventures	988	2,854
Total depreciation and amortization expenses	$ 19,150	$ 19,074
INCOME/(LOSS) FROM OPERATIONS (PRE-TAX):		
Avista Utilities	$ 47,606	$ 45,899
Energy Trading and Marketing	(6,547)	(12,828)
Information and Technology	(8,262)	(1,771)
Avista Ventures	(3,724)	(937)
Total income from operations	$ 29,073	$ 30,363

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
Avista Corporation

For the Three Months Ended March 31
Thousands of Dollars

	2000	1999
INCOME AVAILABLE FOR COMMON STOCK:		
Avista Utilities	$ (2,054)	$ 14,083
Energy Trading and Marketing	(3,538)	(7,336)
Information and Technology	(5,664)	(1,254)
Avista Ventures	(129)	8,511
Total income available for common stock (Note 5)	$ (11,385)	$ 14,004
ASSETS: (1999 amounts at December 31)		
Avista Utilities	$ 1,926,704	$ 1,976,716
Energy Trading and Marketing	1,731,521	1,595,470
Information and Technology	40,776	26,379
Avista Ventures	109,773	114,929
Total assets	$ 3,808,774	$ 3,713,494
CAPITAL EXPENDITURES (excluding AFUDC/AFUCE):		
Avista Utilities	$ 18,578	$ 15,918
Energy Trading and Marketing	13	3,658
Information and Technology	4,827	2,156
Avista Ventures	474	1,094
Total capital expenditures	$ 23,892	$ 22,826

The Accompanying Notes are an Integral Part of These Statements.

AVISTA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements of Avista Corporation (Avista Corp. or the Company) for the interim periods ended March 31, 2000 and 1999 are unaudited but, in the opinion of management, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results of operations for those interim periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements do not contain the detail or footnote disclosure concerning accounting policies and other matters which would be included in full fiscal year financial statements; therefore, they should be read in conjunction with the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (1999 Form 10-K).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current statement format. These reclassifications were made for comparative purposes and have not affected previously reported total net income or common shareholders' equity.

NOTE 2. RESTRUCTURING CHARGES

In November 1999, Avista Energy, Inc. (Avista Energy) began to redirect its focus away from national energy trading toward a more regionally-based energy marketing and trading effort in the West. The downsizing plan called for shutting down all of the operations in Houston and Boston and eliminating approximately 80 positions. The Houston operations were closed during the first quarter of 2000, with the Boston operations scheduled to close during the second quarter. In the fourth quarter of 1999, Avista Energy recorded a charge of $5.9 million, after taxes, for expenses related to employee terminations, such as contract terminations and retention payments. During the first quarter of 2000, the entire $5.9 million reserve was paid out for employee termination expenses, leaving no accrued balance at March 31, 2000. Avista Energy sold its Eastern power book during the first quarter of 2000 for a $1.6 million before-tax loss. To date, Avista Energy has not found a buyer for the natural gas or coal contracts. In addition to the restructuring charges previously reserved and paid, other transition costs in the amount of $4.9 million before taxes were incurred during the first quarter of 2000 related to closing the Houston and Boston offices and discontinuing operations in the East. Additional transition costs will continue through the second quarter of 2000.

In the 1999 Form 10-K, it was announced that Pentzer Corporation (Pentzer) would also be redirecting its focus. In the first quarter of 2000, Pentzer recorded a charge of $1.2 million, after taxes, for expenses related to employee terminations. None of the $1.2 million for termination benefits was paid out as of March 31, 2000.

NOTE 3. ENERGY COMMODITY TRADING

Contract Amounts and Terms Under Avista Energy's derivative instruments, Avista Energy either (i) as "fixed price payor," is obligated to pay a fixed price or amount and is entitled to receive the commodity or a fixed amount or (ii) as "fixed price receiver," is entitled to receive a fixed price or amount and is obligated to deliver the commodity or pay a fixed amount or (iii) as "index price payor," is obligated to pay an indexed price or amount and is entitled to receive the commodity or a variable amount or (iv) as "index price receiver," is entitled to receive an indexed price or amount and is obligated to deliver the commodity or pay a variable amount. The contract or notional amounts and terms of Avista Energy's derivative commodity investments outstanding at March 31, 2000 are set forth below (volumes in thousands of mmBTUs and MWhs, dollars in thousands):

	Fixed Price Payor	Fixed Price Receiver	Maximum Terms in Years
Energy commodities (volumes)			
Natural gas	248,138	230,974	4
Electric	195,124	182,554	20
Coal (tons)	3,595	3,595	1

AVISTA CORPORATION

	Index Price Payor	Index Price Receiver	Maximum Terms in Years
Energy commodities (volumes)			
Natural gas	684,984	621,716	5
Electric	1,215	903	5

Contract or notional amounts reflect the volume of transactions, but do not necessarily represent the amounts exchanged by the parties to the derivative commodity instruments. Accordingly, contract or notional amounts do not accurately measure Avista Energy's exposure to market or credit risks. The maximum terms in years detailed above are not indicative of likely future cash flows as these positions may be offset in the markets at any time.

Fair Value The fair value of Avista Energy's derivative commodity instruments outstanding at March 31, 2000, and the average fair value of those instruments held during the three months ended March 31, 2000 are set forth below (dollars in thousands):

	Fair Value as of March 31, 2000				Average Fair Value for the three months ended March 31, 2000			
	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
Natural gas	$109,775	$ 35,700	$110,366	$ 25,532	$ 92,599	$ 32,598	$ 93,773	$ 24,663
Electric	616,123	535,062	630,315	491,016	558,042	497,281	568,917	454,233
Coal	3,823	916	3,638	203	7,176	859	6,502	165
Total	$729,721	$571,678	$744,319	$516,751	$657,817	$530,738	$669,192	$479,061

The weighted average term of Avista Energy's natural gas and related derivative commodity instruments as of March 31, 2000 was approximately three months. The weighted average term of Avista Energy's electric derivative commodity instruments at March 31, 2000 was approximately four months. The weighted average term of Avista Energy's coal derivative commodity instruments at March 31, 2000 was approximately six months. The change in the fair value position of Avista Energy's energy commodity portfolio, net of the reserves for credit and market risk from December 31, 1999 to March 31, 2000 was $0.05 million and is included on the Consolidated Statements of Income in operating revenues.

NOTE 4. FINANCINGS

Reference is made to the information relating to financings and borrowings as discussed under the caption "Liquidity and Capital Resources" in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations".

NOTE 5. EARNINGS PER SHARE

Average common shares outstanding for basic earnings per share were 41,296,963 and 40,453,729 for the quarters ended March 31, 2000 and 1999, respectively. On February 16, 2000, all outstanding shares of Series L Preferred Stock were converted into 11,410,047 shares of common stock, which averaged 7,623,916 shares of common stock for the quarterly calculation of diluted earnings per share. The costs of converting the Series L Preferred Stock into common stock totaled $21.3 million for the first quarter of 2000, with $18.1 million representing the optional conversion premium and $3.2 million attributable to the regular dividend on the stock. However, these costs were not included in the calculation of diluted earnings per share because their effect was antidilutive.

AVISTA CORPORATION

The computation of basic and diluted earnings per common share is as follows (in thousands, except per share amounts):

	1st Quarter 2000	1st Quarter 1999
Net income	$ 10,525	$ 19,388
Less: Preferred stock dividends	21,910	5,384
Income available for common stock-basic	(11,385)	14,004
Convertible Preferred Stock, Series L, dividend requirements	-	4,775
Income available for common stock-diluted	$(11,385)	$ 18,779
Weighted-average number of common shares outstanding-basic	41,297	40,454
Conversion of Convertible Preferred Stock, Series L	7,624	15,405
Restricted stock	99	101
Exercise of stock options	504	-
Weighted-average number of common shares outstanding-diluted	49,524	55,960
Earnings per common share		
Basic	$ (0.28)	$ 0.35
Diluted	$ (0.28)	$ 0.34

NOTE 6. COMMITMENTS AND CONTINGENCIES

The Company believes, based on the information presently known, the ultimate liability for the matters discussed in this note, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the consolidated financial position of the Company, but could be material to results of operations or cash flows for a particular quarter or annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular lawsuit.

SPOKANE GAS PLANT

The Spokane Natural Gas Plant site (which was operated as a coal gasification plant for approximately 60 years until 1948) was acquired by the Company through a merger in 1958. The Company no longer owns the property. Initial core samples taken from the site indicate environmental contamination at the site. On January 15, 1999, the Company received notice from the State of Washington's Department of Ecology (DOE) that it had been designated as a potentially liable person (PLP) with respect to any hazardous substances located on this site, stemming from the Company's past ownership of the former Gas Plant. In its notice, the DOE stated that it intended to complete an on-going remedial investigation of this site, complete a feasibility study to determine the most effective means of halting or controlling future releases of substances from the site, and implement appropriate remedial measures.

The Company responded to the DOE acknowledging its listing as a PLP, but requested that additional parties also be listed as PLPs. In the spring of 1999, the DOE named two other parties as additional PLPs. The Company completed additional characterization of the site for the remedial investigation (RI).

The DOE issued a Draft Agreed Order to the Company on January 17, 2000, and solicited public comment. The Agreed Order was signed by the DOE, the Company and Burlington Northern Railroad (another PLP) on March 13, 2000. The work to be performed under the Agreed Order includes three major technical parts: completion of the RI; performance of a focused Feasibility Study (FS); and, implementation of an interim groundwater monitoring plan. The RI is currently under review by the DOE, with comments expected during the second quarter of 2000. The Company will be submitting the FS for comments in mid-May.

AVISTA CORPORATION
- --

EASTERN PACIFIC ENERGY

On October 9, 1998, Eastern Pacific Energy (Eastern Pacific), an energy aggregator participating in the restructured retail energy market in California, filed suit against the Company and its affiliates, Avista Advantage and Avista Energy, in the United States District Court for the Central District of California. Eastern Pacific alleges, among other things, a breach of an oral or implied joint venture agreement whereby the Company agreed to supply not less than 300 megawatts of power to Eastern Pacific's California customers and that Avista Advantage agreed to provide energy-related products and services. The complaint seeks an unspecified amount of damages and also seeks to recover any future profits earned from sales of the aforementioned amount of power to California consumers.

On December 4, 1998, Avista Advantage, Avista Energy and the Company jointly filed a motion to dismiss the complaint for failure to state a claim upon which relief can be granted. On May 4, 1999, the Court granted the Company's and its affiliates' motion to dismiss the case and granted the plaintiff the opportunity to file and serve an Amended Complaint, which it did. The Company and its affiliates renewed their motion to dismiss and on October 22, 1999, the Court again granted the motion to dismiss, this time with prejudice. Plaintiff has appealed this adverse determination to the Ninth Circuit Court of Appeals.

SALE OF CREATIVE SOLUTIONS GROUP

On April 7, 2000, Creative Solutions Group, Inc. and Form House Holdings, Inc., filed a complaint against Pentzer Corporation, in the United States District Court for the District of Massachusetts, alleging misrepresentations and breach of representations and warranties made under a stock purchase agreement. Pursuant to this agreement, Pentzer sold the capital stock of a group of companies on March 31, 1999. Plaintiffs allege that Pentzer breached various representations and warranties concerning financial statements, cost of goods sold and inventory, contending that reliance on such representations and warranties caused them to pay more for the group of companies than they were worth. In total, plaintiffs allege damages in the approximate amount of $27 million. Pentzer has retained legal counsel and intends to vigorously defend against this action.

- --

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Avista Corporation (Avista Corp. or the Company) operates as an energy, information and technology company with a regional utility operation and subsidiary operations located throughout North America. The utility portion of the Company, doing business as Avista Utilities, is subject to state and federal price regulation. The national businesses are conducted under Avista Capital, which is the parent company to the Company's subsidiaries.

Avista Utilities provides electric transmission and electric and natural gas distribution services to retail customers. It is also responsible for the generation and production of electric energy, electric wholesale marketing, and electric commodity trading, primarily for the purpose of optimizing system resources. Wholesale marketing includes sales and purchases under long-term contracts with one-year and longer terms. Electric commodity trading includes short-term sales and purchases, such as next hour, next day and monthly blocks of energy. Wholesale marketing and trading activities are primarily with other utilities and power brokers in the Western Systems Coordinating Council (WSCC).

The Energy Trading and Marketing line of business is comprised of Avista Energy, Inc. (Avista Energy), Avista Power, Inc. (Avista Power) and Avista-STEAG, LLC (Avista-STEAG). Avista Energy is an electricity and natural gas marketing and trading business, also operating primarily in the WSCC. Avista Power was formed to develop and own generation assets primarily in support of Avista Energy. Avista-STEAG is a joint venture between Avista Capital and STEAG AG, a German independent power producer, to develop electric generating assets.

The Information and Technology line of business is comprised of Avista Advantage, Inc. (Avista Advantage), Avista Laboratories, Inc. (Avista Labs), Avista Communications, Inc. (Avista Communications) and Avista Fiber, Inc. (Avista Fiber). Avista Advantage is a business-to-business e-commerce portal that provides a variety of energy-related products and services to commercial and industrial customers on a national basis. Its primary product lines include consolidated billing, resource accounting, energy analysis, load profiling and maintenance and repair billing services. Avista Labs is in the process of developing Proton Exchange Membrane (PEM) fuel cells for power generation at the site of the consumer. Avista Communications is a Competitive Local Exchange Carrier (CLEC) providing local dial tone, data transport, internet services, voice messaging and other telecommunications services to under-served communities in the Western United States. In April 2000, Avista Communications and Avista Fiber merged operations, so Avista Communications is now additionally responsible for designing, building and managing metropolitan area fiber optic networks.

The Avista Ventures line of business includes Avista Ventures, Inc. (Avista Ventures), Pentzer Corporation (Pentzer), Avista Development, Inc. (Avista Development) and Avista Services, Inc. (Avista Services). Avista Ventures was formed late in the first quarter of 2000 to align Avista Corp.'s investment and acquisition activities in the strategic growth areas of energy, information and technology. Avista Ventures will be responsible for developing a pipeline of future opportunities for growth and innovation. Avista Ventures is the parent company to Pentzer and Avista Development. Pentzer was the parent company to the majority of the Company's other subsidiary businesses until 1999, when it sold two groups of its portfolio companies. Pentzer's business strategy was such that its income resulted from both transactional and non-transactional earnings. Transactional gains have arisen from one-time events or specific transactions, such as the sale of an investment or companies from Pentzer's portfolio of investments. Non-transactional earnings arise out of the ongoing operations of the individual portfolio companies. Avista Development holds other community investments, including real estate, tax credit housing and other assets. Avista Services is the marketing arm of Avista Utilities that offers products and services to existing utility customers, including energy consulting, mail order merchandising and sales of items such as surge protectors and generators.

Regulatory, economic and technological changes have brought about the accelerating transformation of the utility and energy industries, creating new opportunities to expand the Company's businesses and serve new markets. In pursuing such opportunities, the Company's strategy is to focus on continuing its growth as a leading provider of energy, and information and technology services.

The Company's growth strategy exposes it to risks, including risks associated with rapid expansion, challenges in recruiting and retaining qualified personnel, risks associated with acquisitions and joint ventures and increasing competition. In addition, the energy trading and marketing business exposes the Company to the financial and credit risks associated with commodity trading activities. The Company believes that its extensive experience in the electric and natural gas business, coupled with its strong management team, will allow the Company to effectively manage its further development as a diversified energy, information and technology company.

RESULTS OF OPERATIONS

OVERALL OPERATIONS

First quarter 2000 net income available for common stock was a loss of $11.4 million, compared to $14.0 million in the first quarter of 1999. The decrease was primarily the result of the conversion of the outstanding Series L Preferred Stock back into common stock, which resulted in a one-time charge of $21.3 million to preferred stock dividend requirements. Excluding the effect of this transaction, the Company would have had net income available for common stock of $9.9 million. The decrease in 2000 earnings from 1999 levels is also due to the $10.1 million transactional gain, net of taxes, recorded in the first quarter of 1999 by Pentzer from the sale of a group of portfolio companies. The gain resulted in income of $8.5 million from the Avista Ventures line of business in 1999 compared to a loss of $0.1 million in 2000. Losses from the Information and Technology line of business increased $4.4 million in 2000 from first quarter 1999 as these businesses continued to grow their operations. Losses from the Energy Trading and Marketing line of business decreased $3.8 million from the first quarter of 1999. Avista Utilities' results, excluding preferred stock dividend requirements, improved $0.4 million over the same period in 1999.

Overall reported basic earnings per share for the first quarter of 2000 were a loss of $0.28, compared to $0.35 in 1999. Excluding the effect of the charge for the conversion of the Series L Preferred Stock, earnings per share would have been $0.20, compared to $0.34 per diluted share in 1999. As a result of this preferred dividend charge, Avista Utilities recorded a loss of $0.05 per basic share for the first quarter of 2000 compared to a contribution of $0.35 in the first quarter of 1999. Energy Trading and Marketing operations had a loss of $0.09 per basic share in the first quarter of 2000 compared to a loss of $0.18 in the same period in 1999. Information and Technology operations had a loss of $0.14 per basic share in 2000 compared to a loss of $0.03 in 1999. Results from the Avista Ventures line of business were slightly negative in the first quarter of 2000, with no impact on earnings per share, compared to a contribution of $0.21 in the same period in 1999, which was primarily due to the $0.18 per share contribution from Pentzer's 1999 transactional gain mentioned above.

AVISTA UTILITIES

Avista Utilities' pre-tax income from operations increased $1.7 million, or 4%, in the first quarter of 2000 over the same period in 1999. The increase was primarily the result of increased wholesale electric sales revenues, due to higher market prices, and higher retail electric and natural gas revenues due to price increases approved by state public utility commissions. The increased revenues were partially offset by increased resource costs and higher operating expenses. Avista Utilities' operating revenues and expenses increased $31.8 million and $30.1 million, respectively, during the first quarter of 2000 as compared to 1999.

Retail electric revenues increased $3.9 million in the first quarter of 2000 over 1999 due to increased prices and greater sales volumes due to customer growth. Streamflows in the first quarter of 2000 were 107% of normal compared to 134% in the first quarter of 1999. However, due to factors such as timing of the flows, hydroelectric generation was 4% higher in the first quarter of 2000 than in 1999. Wholesale electric revenues increased $18.5 million, or 20%, while sales volumes increased only 1% during the first quarter of 2000 over 1999, reflecting prices that were 19% higher for purchased power in the region. Natural gas revenues increased $8.0 million in the first quarter of 2000 over 1999 due to increased prices approved by state commissions and increased therm sales, primarily due to customer growth.

Purchased power prices were 13% higher than last year, resulting in a $9.0 million, or 8%, increase in purchased power in the first quarter of 2000 over 1999. Purchased natural gas costs increased $7.4 million in the first quarter of 2000, primarily from increased therm sales due to customer growth. Fuel for generation increased $5.6 million due to increased generation at the thermal plants. Operations and maintenance expenses increased $3.2 million due to a variety of items, including higher fees associated with the increased amount of customer accounts receivables sold, increased accruals for uncollectible accounts and other expenses related to customer accounting services. Depreciation and amortization expenses increased $1.2 million, primarily due to increased plant in service.

ENERGY TRADING AND MARKETING

Energy Trading and Marketing includes the results of Avista Energy, Avista Power and Avista-STEAG. Avista Energy maintains a trading portfolio that it marks to fair market value on a daily basis (mark-to-market accounting), which causes earnings variability.

Energy Trading and Marketing income available for common stock for the first quarter of 2000 was a loss of $3.5 million, compared to a loss of $7.3 million in the first quarter of 1999. Avista Energy's operations were primarily affected by losses from the liquidation of its Eastern electric book and associated operating costs to close its Eastern operations in Houston and Boston. The Houston office was closed during the first quarter of 2000, with the Boston office expected to close during the second quarter. The Eastern electric book was sold at a $1.6 million pre-tax loss. Avista Energy is currently seeking a buyer for its Eastern natural gas contracts.

Energy Trading and Marketing's revenues and operating expenses increased $210.5 million and $204.2 million, respectively, in the first quarter of 2000 over 1999. The increase in revenues and expenses is primarily the result of the settlement of contracts originated during Avista Energy's initial growth from 1997 through early 1999. During this period, Avista Energy had been developing and expanding its business and adding experienced traders and staff. This growth continued through the first quarter of 1999 when Avista Energy purchased Vitol Gas & Electric, LLC.

In November 1999, the decision was made to reduce Avista Energy's risk by redirecting its focus away from national energy trading toward a more regionally-based energy marketing and trading effort in the West backed by contracts for energy commodities and by the output of specific facilities available under contract. The change in the strategy followed significant changes in the overall energy trading and marketing industry that created low margins while requiring higher levels of investment, credit commitments and value-at-risk limits. Mergers and consolidations within the industry also created a small number of large players, and a marketplace where liquidity and volatility were not favorable.

Energy Trading and Marketing's total assets and liabilities increased $136.1 million from December 1999 to March 2000. Avista Energy's energy commodity assets and liabilities increased primarily as a result of significant price increases for both natural gas and power during this period. Trade receivables and payables decreased due to lower sales volumes as Avista Energy has discontinued its trading activity in the East.

INFORMATION AND TECHNOLOGY

The Information and Technology line of business includes the results of Avista Advantage, Avista Labs, Avista Communications and Avista Fiber. Avista Corp. has committed to invest in the development of these information and technology start-up businesses as part of its overall strategic focus on generating shareholder value.

Information and Technology's income available for common stock for the first quarter of 2000 was a loss of $5.7 million, compared to a loss of $1.3 million in 1999. Operating revenues and expenses for this line of business increased $1.6 million and $8.1 million, respectively, during the first quarter of 2000 over 1999, primarily due to growth in each of the individual businesses.

AVISTA VENTURES

The Avista Ventures line of business includes the results of Avista Ventures, Pentzer, Avista Development and Avista Services.

Income available for common stock for this line of business was a loss of $0.1 million in the first quarter of 2000, compared to first quarter 1999 earnings of $8.5 million. The 1999 earnings included a transactional gain totaling $10.1 million, net of taxes, recorded by Pentzer as a result of the sale of a group of portfolio companies.

Operating revenues and expenses for this line of business decreased $43.2 million and $40.4 million, respectively, during the first quarter of 2000, as compared to 1999, primarily as a result of the sales of portfolio companies by Pentzer. The Creative Solutions Group of companies was sold at the end of the first quarter of 1999 and the Store Fixtures Group of companies was sold during the third quarter of 1999, so revenues and expenses from these eleven companies were included in the first quarter 1999 amounts.

LIQUIDITY AND CAPITAL RESOURCES

OVERALL OPERATIONS

Operating Activities Cash provided by operating activities in the first quarter of 2000 totaled $80.8 million, compared to $35.3 million for the same period in 1999. The primary reason for increased cashflows was the $25.0 million of customer accounts receivables that were sold during the first quarter of 2000. Other various working capital components, such as receivables and payables, continued to change substantially in the 2000 period, primarily due to Avista Energy's operations.

Investing Activities Net cash used in investing activities totaled $10.8 million in the first quarter of 2000 compared to $2.9 million in the same period in 1999. The primary differences in investing activities between 2000 and 1999 were Avista Energy's acquisition of Vitol and the sale of the Creative Solutions Group of companies by Pentzer, both in the first quarter of 1999.

Financing Activities Cash used in financing activities totaled $63.9 million in the first quarter of 2000 compared to $24.4 million in 1999. Short-term borrowings decreased $36.0 million and $16.0 million of long-term debt matured or was redeemed in the first quarter of 2000. In the first quarter of 1999, short-term borrowings increased $38.8 million, and $52.7 million of long-term debt was redeemed or matured.

In August 1998, an exchange offer was made whereby shareholders were provided the opportunity to exchange their shares of common stock for depositary shares, also known as RECONS (Return-Enhanced Convertible Securities). Each RECONS represented a one-tenth ownership interest in one share of mandatorily convertible Series L Preferred Stock. Each RECONS paid an annual dividend of $1.24 for a period of about three years and after three years would automatically convert back to common stock, unless the Company exercised its option to convert the Series L Preferred Stock prior to the end of the three-year period. On February 16, 2000, the Company exercised its option to convert all the remaining outstanding shares of Series L Preferred Stock back into common stock. The RECONS were also converted into common stock on the same conversion date, and each of the RECONS was converted into the following: 0.7205 shares of common stock, representing the optional conversion price; plus 0.0361 shares of common stock, representing the optional conversion premium; plus the right to receive $0.21 in cash, representing an amount equivalent to accumulated and unpaid dividends up until, but excluding, the conversion date. Cash payments were made in lieu of fractional shares.

The Company's total common equity increased $264.5 million during the first quarter of 2000 to $658.0 million, primarily due to the conversion of all remaining Series L Preferred Stock back to common stock. The Company's consolidated capital structure at March 31, 2000, was 45% debt, 10% preferred securities and 45% common equity, compared to 47% debt, 27% preferred securities and 26% common equity at December 31, 1999.

Capital expenditures are financed on an interim basis with notes payable (due within one year). The Company has $260 million in committed lines of credit. In addition, the Company may currently borrow up to $100 million through other borrowing arrangements with banks. The Company also has a $50 million regional commercial paper program. As of March 31, 2000, $50.0 million was outstanding under the committed line of credit, $25.0 million was outstanding under other short-term borrowing arrangements and $10.0 million was outstanding under the commercial paper program.

The Company funds capital expenditures with a combination of internally-generated cash and external financing. The level of cash generated internally and the amount that is available for capital expenditures fluctuates annually. Cash provided by operating activities remains the Company's primary source of funds for operating needs, dividends and capital expenditures.

ENERGY TRADING AND MARKETING OPERATIONS

Avista Energy and its subsidiary, Avista Energy Canada, Ltd., as co-borrowers, have a credit agreement with two commercial banks in the aggregate amount of $110 million, expiring May 31, 2000. Avista Energy is in the process of renegotiating the credit agreement with the two commercial banks. The existing credit agreement may be terminated by the banks at any time and all extensions of credit under the agreement are payable upon demand, in either case at the banks' sole discretion. This agreement also provides, on an uncommitted basis, for the issuance of letters of credit to secure contractual obligations to counterparties. This facility is guaranteed by Avista Capital and is secured by substantially all of Avista Energy's assets. The maximum amount of credit extended by the banks for cash advances is $30 million, with availability of up to $110 million (less the amount of outstanding cash advances, if any) for the issuance of letters of credit. At March 31, 2000, there were no cash advances (demand notes payable) outstanding and letters of credit outstanding under the facility totaled approximately $49.9 million.

At March 31, 2000, the Energy Trading and Marketing operations had $48.1 million in cash and marketable securities with $0.8 million in long-term debt outstanding.

Avista Power and Cogentrix Energy, Inc. entered into an agreement to jointly build a 270 megawatt natural gas combustion turbine facility in Rathdrum, Idaho, with 100% of its output contracted to Avista Energy for 25 years. Non-recourse project financing was completed in March 2000 and the facility is currently under construction, with generation expected to start in late 2001. The total cost of the project is estimated at $160 million; Avista Power's equity in the project is approximately $16 million.

INFORMATION AND TECHNOLOGY OPERATIONS

At March 31, 2000, the Information and Technology operations had $0.1 million in cash and marketable securities with $2.7 million in long-term debt outstanding.

AVISTA VENTURES OPERATIONS

Avista Ventures operations have $21.5 million in short-term borrowing arrangements available (nothing outstanding as of March 31, 2000) to fund Pentzer's portfolio companies' requirements on an interim basis. The short-term borrowing arrangements available and the amounts outstanding have decreased substantially over the past year as a result of the sales of two groups of portfolio companies by Pentzer.

At March 31, 2000, these operations had $3.3 million in cash and marketable securities with $9.2 million in long-term debt outstanding (the current portions of which are included on the Consolidated Balance Sheets as other current liabilities).

ENERGY TRADING BUSINESS

The participants in the wholesale energy market are public utility companies and, increasingly, power and natural gas marketers which may or may not be affiliated with public utility companies or other entities. The participants in this market trade not only electricity and natural gas as commodities but also derivative commodity instruments such as futures, forwards, swaps, options and other instruments. This market is largely unregulated and most transactions are conducted on an "over-the-counter" basis, there being no central clearing mechanism (except in the case of specific instruments traded on the commodity exchanges). Power marketers, whether or not affiliated with other entities, generally do not own production facilities and are not subject to net capital or other requirements of any regulatory agency.

Avista Utilities and Avista Energy are subject to the various risks inherent in commodity trading including, particularly, market risk and credit risk.

Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply (in the case of electricity, adequacy of generating reserve margins, as well as scheduled and unscheduled outages of generating facilities or disruptions to transmission facilities) and demand (caused by extreme variations in the weather and other factors). Market risk includes the risk of fluctuation in the market price of associated derivative commodity instruments. All market risk is influenced to the extent that the performance or non-performance by market participants of their contractual obligations and commitments affect the supply of, or demand for, the commodity.

Credit risk relates to the risk of loss that Avista Utilities and/or Avista Energy would incur as a result of non-performance by counterparties of their contractual obligations. Credit risk may be concentrated to the extent that one or more groups of counterparties have similar economic, industry or other characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in market or other conditions. In addition, credit risk includes not only the risk that a counterparty may default due to circumstances relating directly to it, but also the risk that a counterparty may default due to circumstances which relate to other market participants which have a direct or indirect relationship with such counterparty. Avista Utilities and Avista Energy seek to mitigate credit risk (and concentrations thereof) by applying specific eligibility criteria to prospective counterparties. However, despite mitigation efforts, defaults by counterparties occur from time to time. To date, no such default has had a material adverse effect on Avista Utilities or Avista Energy.

Avista Capital provides guarantees for Avista Energy's line of credit agreement, and in the course of business may provide guarantees to other parties with whom Avista Energy may be doing business. The Company's investment in Avista Capital totaled $221.5 million at March 31, 2000.

RISK MANAGEMENT

The risk management process established by the Company is designed to measure both quantitative and qualitative risk in the business. Avista Utilities and Avista Energy have adopted policies and procedures to manage the risks inherent in their businesses and have established a comprehensive Risk Management Committee, separate from the units that create the risk exposure and overseen by the Audit and Finance Committee of the Company's Board of Directors, to monitor compliance with the Company's risk management policies and procedures on a regular basis. Nonetheless, adverse changes in interest rates, commodity prices and foreign currency exchange rates may result in losses in earnings, cash flow and/or fair values.

Interest Rate Risk The Company's market risks related to interest rates have not changed materially from those reported in the 1999 Form 10-K.

Commodity Price Risk The Company's market risks related to commodity prices have not changed materially from those reported in the 1999 Form 10-K. The following Value-at-Risk (VAR) information has been updated for the current period. At March 31, 2000, Avista Energy's estimated potential one-day unfavorable impact on gross margin was $1.2 million, as measured by VAR, related to its commodity trading and marketing business. The average daily VAR for the first quarter of 2000 was $0.9 million.

Foreign Currency Risk The Company's market risks related to foreign currency have not changed materially from those reported in the 1999 Form 10-K.

SAFE HARBOR FOR FORWARD LOOKING STATEMENTS.

The Company is including the following cautionary statement in this Form 10-Q to make applicable and to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements are all statements other than statements of historical fact, including without limitation those that are identified by the use of the words "anticipates," "estimates," "expects," "intends," "plans," "predicts," and similar expressions. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those expressed. Such risks and uncertainties include, among others, changes in the utility regulatory environment, wholesale and retail competition, weather conditions and various other matters, many of which are beyond the Company's control. These forward-looking statements speak only as of the date of the report. The Company expressly undertakes no obligation to update or revise any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based. See "Safe Harbor for Forward Looking Statements" in the Company's 1999 Form 10-K under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Future Outlook.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Management's Discussion and Analysis of Financial Condition and Results of Operations: Liquidity and Capital Resources: Energy Trading Business and Risk Management."

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

Washington Rate Cases In October 1999, the Company filed for a general electric rate increase of $26.2 million, or 10.4%, and a general natural gas rate increase of $4.9 million, or 6.5%, with the Washington Utilities and Transportation Commission (WUTC). On May 5, 2000, the WUTC staff recommended a $16.5 million, or 6.5%, electric rate decrease and a $785,000, or 1.0%, natural gas rate increase. The staff also recommended that the Company's annual rate of return on investment for both electricity and natural gas be reduced from its current rate of return of 10.7% to 8.8%. The Company requested a 9.9% rate of return. These recommendations by the WUTC staff are not binding on the commission, which has until September to decide the case. The Company intends to vigorously contest the positions of the WUTC staff and intervenors, believing there is a sound basis for rate relief. The Company will file its rebuttal on June 2. Additional hearings for the case are scheduled for July.

Centralia Power Plant On May 5, 2000, the owners of the Centralia Power Plant sold the plant to TransAlta, a Canadian company. The Company will record a $33.9 million after-tax gain from the sale of its 17.5% ownership interest in the plant. Ratepayers will benefit from the return of $25.8 million of the gain. Idaho customers will get $6.8 million, which translates into a rate reduction of 1.3% over an eight-year period. Washington customers will receive the remaining $19.0 million, with the method and timing to be determined as part of the pending general rate case. Shareholders will benefit from $8.1 million of the gain, which will be included in net income. Avista Utilities will require additional generating capacity, so TransAlta has agreed to replace Avista Utilities' lost output for three years through a purchase agreement. The Company is assessing its options for a longer-term replacement of the power.

Regional Transmission Organizations (RTO) Avista Utilities and five other Western utilities have agreed to study the formation of a for-profit company that would own the companies' transmission lines. The other companies involved in the study are Montana Power Co., Puget Sound Energy Corp., Portland General Electric Co., Nevada Power Co. and Sierra Pacific Power Co. This effort is in response to the FERC's Order No. 2000, which requires public utilities subject to FERC regulation to file an RTO proposal, or a description of efforts to participate in an RTO, and any existing obstacles to RTO participation, by October 2000.

Coeur d' Alene Lake Court Decision On July 28, 1998, the United States District Court for the District of Idaho issued its finding that the Coeur d' Alene Tribe of Idaho owns the bed and banks of the Coeur d' Alene Lake and the St. Joe River lying within the current boundaries of the Coeur d' Alene Reservation. The disputed bed and banks comprise approximately the southern one-third of Lake Coeur d' Alene. This action had been brought by the United States on behalf of the Tribe against the State of Idaho. While the Company is not a party to this action, which has been appealed by the State of Idaho to the Ninth Circuit, the Company is continuing to evaluate the impact of this decision on the operation of its hydroelectric facilities on the Spokane River, downstream of the Coeur d' Alene Lake, which is the reservoir for these plants.

Avista Ventures Avista Ventures has made an initial investment in Metering Technology Corporation (MTC), a California-based company that develops and manufactures digital gas and electric meters. Avista Ventures will also seek opportunities through investments in a network of venture capital firms and has made an investment in the Woodside Fund IV, a firm that invests in early stage technology ventures. Avista Ventures has also committed to invest in, and has made its first contribution to, Enertech Capital Partners.

ADDITIONAL FINANCIAL DATA

At March 31, 2000, the total long-term debt of the Company and its consolidated subsidiaries, as shown in the Company's consolidated financial statements, was approximately $668.8 million. Of such amount, $236.0 million represents long-term unsecured and unsubordinated indebtedness of the Company, and $336.2 million represents secured indebtedness of the Company. The balance of $96.6 million includes short-term notes to be refinanced as well as indebtedness of subsidiaries. Consolidated long-term debt does not include the Company's subordinated indebtedness held by the issuers of Company-obligated preferred trust securities.

AVISTA CORPORATION

The following table reflects the ratio of earnings to fixed charges and the ratio of earnings to fixed charges and preferred dividend requirements:

	12 Months Ended	
	March 31, 2000	December 31, 1999
Ratio of Earnings to Fixed Charges	1.43(x)	1.61(x)
Ratio of Earnings to Fixed Charges and Preferred Dividend Requirements	0.73(x)	1.07(x)

The Company has long-term purchased power arrangements with various Public Utility Districts and the interest expense components of these contracts are included in purchased power expenses. These interest amounts are not included in the fixed charges and would not have a material impact on fixed charges ratios.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

12 Computation of ratio of earnings to fixed charges and preferred dividend requirements.

27 Financial Data Schedule.

(b) Reports on Form 8-K.

Dated January 6, 2000, regarding lower utility revenues due to warm weather and fourth quarter charges due to restructuring at Avista Energy and impairment of utility assets.

Dated January 28, 2000, announcing the conversion of the Series L Preferred Stock back into common stock.

SIGNATURE

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: May 12, 2000 /s/ J. E. Eliassen

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

EXHIBIT 12

AVISTA CORPORATION

Computation of Ratio of Earnings to Fixed Charges
and Preferred Dividend Requirements Consolidated
(Thousands of Dollars)

	12 Mos. Ended March 31,	Years Ended December 31			
	2000	1999	1998	1997	1996
Fixed charges, as defined:					
Interest on long-term debt	$ 60,035	$ 62,032	$ 66,218	$ 63,413	$ 60,256
Amortization of debt expense and premium - net	3,039	3,044	2,859	2,862	2,998
Interest portion of rentals	4,514	4,645	4,301	4,354	4,311
Total fixed charges	$ 67,588	$ 69,721	$ 73,378	$ 70,629	$ 67,565
Earnings, as defined:					
Net income from continuing ops	$ 17,167	$ 26,031	$ 78,139	$114,797	$ 83,453
Add (deduct):					
Income tax expense	11,613	16,740	43,335	61,075	49,509
Total fixed charges above	67,588	69,721	73,378	70,629	67,565
Total earnings	$ 96,368	$112,492	$194,852	$246,501	$200,527
Ratio of earnings to fixed charges	1.43	1.61	2.66	3.49	2.97
Fixed charges and preferred dividend requirements:					
Fixed charges above	$ 67,588	$ 69,721	$ 73,378	$ 70,629	$ 67,565
Preferred dividend requirements(1)	63,568(2)	35,149	13,057	8,261	12,711
Total	$131,156	$104,870	$ 86,435	$ 78,890	$ 80,276
Ratio of earnings to fixed charges and preferred dividend requirements	0.73	1.07	2.25	3.12	2.50

(1) Preferred dividend requirements have been grossed up to their pre-tax level.

(2) For the twelve months ended March 31, 2000, the preferred dividend requirements amount includes the costs associated with converting the Series L Preferred Stock back into common stock.

UT

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF AVISTA CORPORATION, INCLUDED IN THE QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS
DEC-31-2000
MAR-31-2000
PER-BOOK
1,503,642
795,565
1,223,603
285,964
0
3,808,774
599,499
(11,998)
70,468
657,969
145,000
0
520,625
75,000
4,762
10,000
58,301
0
3,494
1,439
2,332,184
3,808,774
1,381,974
7,173
1,352,901
1,352,901
29,073
3,362
32,435
14,737
10,525
21,910
(11,385)
5,647
0
80,761
(0.28)
(0.28)

LONG-TERM DEBT-NET DOES NOT MATCH THE AMOUNT REPORTED ON THE COMPANY'S CONSOLIDATED STATEMENT OF CAPITALIZATION AS LONG-TERM DEBT DUE TO THE OTHER CATEGORIES REQUIRED BY THIS SCHEDULE.
OTHER ITEMS CAPITAL AND LIABILITIES INCLUDES THE CURRENT LIABILITIES, DEFERRED CREDITS AND MINORITY INTEREST, LESS CERTAIN AMOUNTS INCLUDED UNDER LONG-TERM DEBT-CURRENT PORTION AND LEASES-CURRENT, FROM THE COMPANY'S CONSOLIDATED BALANCE SHEET.
THE COMPANY DOES NOT INCLUDE INCOME TAX EXPENSE AS AN OPERATING EXPENSE ITEM. IT IS INCLUDED ON THE COMPANY'S STATEMENTS AS A BELOW-THE-LINE ITEM.
INCOME BEFORE INTEREST EXPENSE IS NOT A SPECIFIC LINE ITEM ON THE COMPANY'S INCOME STATEMENTS. THE COMPANY COMBINES TOTAL INTEREST EXPENSE AND OTHER INCOME TO CALCULATE INCOME BEFORE INCOME TAXES.