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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form S-3

### Pre-Effective Amendment No. 1 to Registration Statement and Post-Effective Amendments No. 1 to Registration Statements under the Securities Act of 1933

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## AVISTA CORPORATION

(Exact name of Registrant as specified in its charter)

**Washington**  
(State or other jurisdiction of  
incorporation or organization)

**4931**  
(Primary Standard Industrial  
Classification Code Number)  
1411 East Mission Avenue  
Spokane, Washington 99202  
(509) 489-0500  
(Address, including zip code, and telephone number, including area  
code, of Registrant's principal executive offices)

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

DAVID J. MEYER  
Vice President and  
Chief Counsel for Regulatory and  
Governmental Affairs  
Avista Corporation  
1411 East Mission Avenue  
Spokane, Washington 99202  
(509) 489-0500

J. ANTHONY TERRELL  
Dewey Ballantine LLP  
1301 Avenue of the Americas  
New York, New York 10019  
(212) 259-8000

(Name and address, including zip code, and telephone number, including area code, of agents for service)

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It is respectfully requested that the Commission  
send copies of all notices, orders and communications to:  
John E. Baumgardner, Jr.  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004

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

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

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

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

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

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

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Pursuant to Rule 429 under the Securities Act of 1933, as amended (the "Securities Act"), the prospectus contained in this Registration Statement No. 333-64652 will be used as a combined prospectus in connection with this Registration Statement and (1) Registration Statement No. 333-82165 which was initially filed on July 2, 1999 and became effective on August 17, 1999 under which \$176,000,000 in principal amount of securities remain unsold and (2) Registration Statement No. 333-106491 which was initially filed on June 25, 2003 and became effective on August 20, 2003 ((1) and (2) together, the "Prior Registration Statements") under which \$105,000,000 in principal amount of securities remain unsold. This Pre-Effective Amendment No. 1 to Registration Statement No. 333-64652 constitutes Post-Effective Amendment No. 1 to each of the Prior Registration Statements. Such Post-Effective Amendments will become effective concurrently with the effectiveness of this Registration Statement in accordance with Section 8(c) of the Securities Act.

There are being registered hereunder such presently indeterminate principal amount or number of shares of Common Stock, Preferred Share Purchase Rights and Debt Securities (collectively, "the Securities") which may be sold from time to time by Avista Corporation. In no event will the aggregate initial offering price of all Securities issued from time to time pursuant to this Registration Statement exceed \$349,635,000. If any such securities are issued at an original issue discount, then the aggregate initial offering price as so discounted shall not exceed \$349,635,000, notwithstanding that the stated principal amount of such securities may exceed such amount. In addition, there are being registered hereunder an indeterminate number of shares of Common Stock issuable by Avista Corporation upon conversion of other Securities.

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

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

SUBJECT TO COMPLETION, DATED APRIL 22, 2004

PROSPECTUS

**\$349,635,000**

**AVISTA CORPORATION**

**Debt Securities**

**Common Stock  
(no par value)**

Avista Corporation may offer from time to time up to \$349,635,000 in total amount of these securities at prices and on terms to be determined at the time of sale.

One or more supplements to this prospectus will indicate the terms of each offering of securities, including the offering price, and, with respect to each series of debt securities and each tranche within a series, the

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

Outstanding shares of Avista Corp.'s Common Stock are listed on the New York Stock Exchange and the Pacific Stock Exchange under the symbol "AVA". New shares of Common Stock will also be listed on those exchanges. Like the outstanding shares of Common Stock, the new shares will be issued and will trade with the related preferred share purchase rights.

Avista Corporation may sell the securities to or through underwriters, dealers or agents or directly to one or more purchasers.

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

The date of this Prospectus is \_\_\_\_\_, 2004.

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

**Avista Corporation**

**Post Office Box 3727  
Spokane, Washington 99220**

**Attention: Treasurer  
Telephone: (509) 489-0500**

**TABLE OF CONTENTS**

About This Prospectus	2	Description of Common Stock	26
Safe Harbor For Forward-Looking Statements	4	Where You Can Find More Information	31
Avista Corporation	6	Plan of Distribution	32
Use of Proceeds	7	Legal Matters	33
Description of the Bonds	7	Experts	33
Description of the Notes	16		

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

## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Avista Corporation filed with the Securities and Exchange Commission (the “SEC”), using the “shelf” registration process. Under this shelf registration process, we may, from time to time, sell the securities described in this prospectus in one or more offerings up to a total dollar amount of \$349,635,000. This prospectus provides a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. That prospectus supplement may include or incorporate by reference a detailed and current discussion of any risk factors and will discuss any special considerations applicable to those securities, including the plan of distribution. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under “Where You Can Find More Information”. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information contained in that prospectus supplement.

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

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

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

2

offered by this prospectus are hereinafter referred to as “Notes” and, together with the Bonds, are hereinafter referred to as “Debt Securities”.

- Common Stock, no par value, of Avista Corporation, together with attached preferred share purchase rights (the “Common Stock”, and, together with the Debt Securities, the “Securities”).

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

See page 4 for “Safe Harbor for Forward-Looking Statements”, which sets forth a warning regarding forward-looking information contained or incorporated by reference in this prospectus.

3

## SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

We are including the following cautionary statements in this prospectus to make applicable, and to take advantage of, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, Avista Corp. Forward-looking statements include statements concerning plans, objectives, goals, strategies, projections of future events or performance, and underlying assumptions (many of which are based, in turn, upon further assumptions) and are all statements which are not statements of historical fact. Forward-looking statements include statements that are identified by the use of the words such as, but not limited to, “will”, “anticipates”, “seeks to”, “estimates”, “expects”, “intends”, “plans”, “predicts”, and similar expressions. From time to time, we may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the Avista Corp., are also expressly qualified by these cautionary statements.

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

- changes in the utility regulatory environment in the individual states and provinces in which we operate and the United States and Canada in general. This can impact allowed rates of return, financings, or industry and rate structures;
- the impact of regulatory and legislative decisions, including Federal Energy Regulatory Commission (“FERC”) price controls, and including possible retroactive price caps and resulting refunds;
- the potential effects of any legislation or administrative rulemaking passed into law;
- the impact from the potential formation of a Regional Transmission Organization and/or an Independent Transmission Company;
- the impact from the implementation of the FERC’s proposed wholesale power market rules;
- volatility and illiquidity in wholesale energy markets, including the availability and prices of purchased energy and demand for energy sales;
- wholesale and retail competition (including but not limited to, electric retail wheeling and transmission costs);
- future streamflow conditions that affect the availability of hydroelectric resources;
- outages at any Avista Corp. owned generating facilities from any cause, including equipment failure;

- unanticipated delays or changes in construction costs with respect to present or prospective facilities;
- changes in weather conditions that can affect customer demand, result in natural disasters and/or disrupt energy delivery;
- changes in industrial, commercial and residential growth and demographic patterns in our service territory;
- the loss of significant customers and/or suppliers;
- failure to deliver on the part of any parties from which we purchase and/or sell capacity or energy;

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- changes in the creditworthiness of customers and energy trading counterparties;
  - our ability to obtain financing through the issuance of debt and/or equity securities, which can be affected by various factors including our credit ratings, interest rate fluctuations and other capital market conditions;
  - changes in future economic conditions in our service territory and the United States in general, including inflation or deflation and monetary policy;
  - the potential for future terrorist attacks, particularly with respect to utility plant assets;
  - changes in tax rates and/or policies;
  - changes in, and compliance with, environmental and endangered species laws, regulations, decisions and policies, including present and potential environmental remediation costs;
  - the outcome of legal and regulatory proceedings concerning Avista Corp. or affecting directly or indirectly its operations, including the potential disallowance of previously deferred costs;
  - employee issues, including changes in collective bargaining unit agreements, strikes, work stoppages or the loss of key executives, as well as the ability to recruit and retain employees;
  - changes in actuarial assumptions and the return on assets with respect to our pension plan, which can impact future funding obligations, costs and pension plan liabilities;
  - increasing health care costs and the resulting effect on health insurance premiums paid for employees and on the obligation to provide post-retirement health care benefits; and
  - increasing costs of insurance, changes in coverage terms and the ability to obtain insurance.

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

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## AVISTA CORPORATION

### General

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

Avista Corp. has four business segments:

- Avista Utilities;
- Energy Marketing and Resource Management;
- Avista Advantage, Inc. ("Avista Advantage"); and
- Other.

Avista Utilities is an operating division of Avista Corp. comprising the regulated utility operations that started in 1889. Avista Capital, our wholly-owned subsidiary, is the parent company of all of the subsidiary companies in the non-utility business segments.

### Avista Utilities

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

Avista Utilities provides electric distribution and transmission as well as natural gas distribution services in a 26,000 square mile area in eastern Washington and northern Idaho with a population of approximately 850,000. It also provides natural gas distribution service in a combined 4,000 square mile area in northeast and southwest Oregon and the South Lake Tahoe region of California with a population of approximately 495,000. At the end of 2003, Avista Utilities supplied retail electric service to a total of approximately 325,000 customers and retail natural gas service to a total of approximately 298,000 customers across its entire service territory.

In addition to providing electric transmission and distribution services, Avista Utilities generates electricity from its owned facilities. Avista Utilities owns and operates eight hydroelectric projects, a wood-waste fueled generating station, a two-unit natural gas-fired combustion turbine ("CT") generating facility and two small generating facilities. In July 2003, the combined cycle natural gas-fired Coyote Springs 2 Generation Project ("Coyote Springs 2") was placed into operation. Avista Utilities has a 50 percent ownership interest in Coyote Springs 2. Avista Utilities also owns a 15 percent share in a two-unit coal-fired generating facility and leases and operates a two-unit natural gas-fired CT generating facility. WP Funding LP, an entity that is included in our consolidated financial statements and included in the Avista Utilities business segment, owns the two-unit natural gas-fired CT generating facility that is leased by Avista Utilities. In addition to company-owned resources, Avista Utilities has a number of long-term power purchase and exchange contracts that increase its available resources.

### Energy Marketing and Resource Management

Avista Energy is an electricity and natural gas marketing, trading and resource management business, operating primarily within the Western Electricity Coordinating Council geographic area, which is comprised of eleven western states as well as the provinces of British Columbia and Alberta, Canada. Avista Energy focuses on optimization of combustion turbines and hydroelectric assets owned by other entities, long-term electric supply contracts, natural gas storage, and electric transmission and natural gas transportation arrangements. Avista Energy is also involved in trading electricity and natural gas, including derivative commodity instruments.

Avista Power is an investor in certain generation assets, primarily its 49 percent interest in a 270-megawatt natural gas-fired combustion turbine plant in northern Idaho (“Lancaster Project”), which commenced commercial operation in September 2001. All of the output from the Lancaster Project is contracted to Avista Energy through 2026.

### **Avista Advantage**

Avista Advantage is a provider of utility bill processing, payment and information services to multi-site customers throughout North America. Avista Advantage’s solutions are designed to provide multi-site companies with critical and easy-to-access information that enables them to proactively manage and reduce their facility-related expenses.

### **Other**

The Other business segment includes several subsidiaries, including Avista Ventures, Inc., Pentzer Corporation, Avista Development and certain other operations of Avista Capital. We continue to limit our future investment in the Other business segment. Over time as opportunities arise, we plan to dispose of assets and phase out of operations in the Other business segment.

### **Discontinued Operations**

In July and September 2003, Avista Corp. announced total investments of \$12.2 million by 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. As of December 31, 2003, Avista Corp. had an ownership interest of approximately 17.5 percent in AVLB, Inc., with the opportunity, but no further obligation, to fund or invest in this business.

Avista Communications, Inc. provided local dial tone, data transport, internet services, voice messaging and other telecommunications services to several communities in the western United States. In September 2001, we decided to dispose of substantially all of the assets of Avista Communications, Inc. The divestiture of operating assets was completed by the end of 2002.

## **USE OF PROCEEDS**

Unless we indicate differently in a supplement to this prospectus, Avista Corp. intends to use the net proceeds from the issuance and sale of the Securities offered by this prospectus for any or all of the following purposes: (a) to fund Avista Utilities’ construction, facility improvement and maintenance programs, (b) to refinance maturing long-term debt, (c) to continue to fund retirements (through redemption, purchase or acquisition) of longer-term debt, (d) to repay short-term debt, (e) to accomplish other general corporate purposes permitted by law and (f) to reimburse Avista Corp.’s treasury for funds previously expended for any of these purposes.

## **DESCRIPTION OF THE BONDS**

Avista Corp. may issue the Bonds in one or more series or tranches within a series. The terms of the Bonds will include those stated in the Mortgage and those made part of the Mortgage by the Trust Indenture Act. The following summary is not complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Mortgage and the Trust Indenture Act. The Bonds,

together with all other debt securities outstanding under the Mortgage, are hereinafter called, collectively, the “Mortgage Securities”. Avista Corp. has filed the Mortgage, as well as a form of supplemental indenture to the Mortgage to establish a series of Bonds, as exhibits to the registration statement of which this prospectus is a part. Capitalized terms used under this heading which are not otherwise defined in this prospectus have the meanings set forth in the Mortgage. Wherever particular provisions of the Mortgage or terms defined in the Mortgage are referred to, those provisions or definitions are incorporated by reference as part of the statements made in this prospectus and those statements are qualified in their entirety by that reference. Sections 125 through 150 of the Mortgage appear in the first supplemental indenture to the Original Mortgage. References to article and section numbers, unless otherwise indicated, are references to article and section numbers of the Mortgage.

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

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

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

the Bonds will be redeemed or purchased, in whole or in part, pursuant to such obligation, and (c) applicable exceptions to the requirements of a notice of redemption in the case of mandatory redemption or redemption at the option of the Holder;

- the terms, if any, upon which the Bonds may be converted into other securities of Avista Corp.;
- the denominations in which any of the Bonds will be issuable if other than denominations of \$1,000 and any integral multiple of \$1,000;
- if the Bonds are to be issued in global form, the identity of the depository; and
- any other terms of the Bonds.

## Payment and Paying Agents

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

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

## Registration and Transfer

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

## Redemption

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

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

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

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

## Issuance of Additional Mortgage Securities

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

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

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

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

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

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

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

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

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

#### *Net Earnings Test*

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

10

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

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

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

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

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

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

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

#### **Security; Structural Subordination**

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

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

There are excepted from the lien all cash and securities (including without limitation securities issued by Avista Corp.'s subsidiaries); merchandise, equipment, materials or supplies held for sale or consumption in Avista Corp.'s operations; receivables, contracts, leases and operating agreements;

11

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electric energy, and other material or products (including gas) generated, manufactured, produced or purchased by Avista Corp., for sale, distribution or use in the ordinary course of its business. (Mortgage, Granting Clauses)

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

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

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

Although its utility operations are conducted directly by Avista Corp., all of the other operations of Avista Corp. are conducted through its subsidiaries. The lien of the Mortgage does not cover the assets of the subsidiaries or the securities of the subsidiaries held by Avista Corp. Any right of Avista Corp., as a shareholder, to receive assets of

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

At December 31, 2003, \$588.5 million of Mortgage Securities were outstanding. This amount includes \$245 million of non-transferable Mortgage Securities which were issued in May 2003 to the agent bank under Avista Corp.'s primary credit facility in order to provide the benefit of the lien of the Mortgage to secure Avista Corp.'s obligations. The indebtedness under the credit facility (including the collateral Mortgage Securities) is included in Avista Corp.'s short-term debt.

## Maintenance

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

## Special Provisions for Retirement of Bonds

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

12

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## Release and Substitution of Property

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

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

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

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

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

## Modification

### *Modifications Without Consent*

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

- to evidence the succession of another corporation to Avista Corp. and the assumption by such successor of the covenants of Avista Corp. in the Mortgage and the Mortgage Securities;
- to add additional covenants of Avista Corp. and additional defaults, which may be applicable only to the Mortgage Securities of specified series;
- to correct the description of property subject to the lien of the Mortgage or to subject additional property to such lien;

13

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- to change or eliminate any provision of the Mortgage or to add any new provision to the Mortgage; provided, that no such change, elimination or addition shall adversely affect the interests of the Holders in any material respect;
  - to establish the form or terms of Mortgage Securities of any series;
  - to provide for procedures to utilize a non-certificated system of registration for all or any series of Mortgage Securities;

- to change any place or places for payment, registration of transfer or exchange, or notices to and demands upon Avista Corp., with respect to all or any series of Mortgage Securities;
- to increase or decrease the maximum principal amount of Mortgage Securities issuable under the Mortgage;
- to make any other changes which do not adversely affect interests of the Holders in any material respect; or
- to evidence any change required or permitted under the Trust Indenture Act of 1939, as amended.

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

#### *Modification With Consent*

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

#### **Satisfaction and Discharge**

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

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

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

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

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

#### **Completed Defaults**

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

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

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

#### **Remedies**

##### *Acceleration of Maturity*

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

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

(Mortgage, Sec. 65)

##### *Possession of Mortgaged Property*

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

##### *Right to Direct Proceedings*

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

*No Impairment of Right to Receive Payment*

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

*Notice of Default*

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

*Remedies Limited by State Law*

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

**Concerning the Mortgage Trustee**

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

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

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

**Evidence of Compliance with Mortgage Provisions**

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

**DESCRIPTION OF THE NOTES**

Avista Corp. may issue the Notes in one or more series, or in one or more tranches within a series, under the Indenture. The terms of the Notes will include those stated in the Indenture and those

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

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

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

- if the Notes are to be issued in global form, the identity of the depositary;
- the terms, if any, upon which the Notes may be converted into other securities of Avista Corp.; and
- any other terms of the Notes

## Payment and Paying Agents

Except as may be provided in the applicable prospectus supplement, Avista Corp. will pay interest, if any, on each Note on each interest payment date to the person in whose name such Note is

17

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

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

## Registration and Transfer

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

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

## Redemption

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

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

18

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## Unsecured Obligations; Structural Subordination

The Indenture is not a mortgage or other lien on assets of Avista Corp. or its subsidiaries. In addition to the Notes, other debt securities may be issued under the Indenture, without any limit on the aggregate principal amount. Each series of Indenture Securities will be unsecured and will rank *pari passu* with all other series of Indenture Securities, except as otherwise provided in the Indenture, and with all other unsecured and unsubordinated indebtedness of Avista Corp. Except as otherwise described in the applicable prospectus supplement, the Indenture does not limit the incurrence or issuance by Avista Corp. of other secured or unsecured debt, whether under the Indenture, under any other indenture that Avista Corp. may enter into in the future or otherwise.

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

## Satisfaction And Discharge

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

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

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

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

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

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## Events of Default

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

- failure to pay interest on any Indenture Security of such series within 60 days after the same becomes due and payable; *provided, however*, that no such failure shall constitute an Event of Default if Avista Corp. has made a valid extension of the interest payment period with respect to the Indenture Securities of such series if so provided with respect to such series;
- failure to pay the principal of or premium, if any, on any Indenture Security of such series within 3 business days after its Maturity; *provided, however*, that no such failure will constitute an Event of Default if Avista Corp. has made a valid extension of the Maturity of the Indenture Securities of such series, if so provided with respect to such series;
- failure to perform, or breach of, any covenant or warranty of Avista Corp. contained in the Indenture for 90 days after written notice to Avista Corp. from the Indenture Trustee or to Avista Corp. and the Indenture Trustee by the Holders of at least 25% in principal amount of the outstanding Indenture Securities of such series as provided in the Indenture unless the Indenture Trustee, or the Indenture Trustee and the Holders of a principal amount of Indenture Securities of such series not less than the principal amount of Indenture Securities the Holders of which gave such notice, as the case may be, agree in writing to an extension of such period before its expiration; *provided, however*, that the Indenture Trustee, or the Indenture Trustee and the Holders of such principal amount of Indenture Securities of such series, as the case may be, will be deemed to have agreed to an extension of such period if corrective action is initiated by Avista Corp. within such period and is being diligently pursued;
- default under any bond, debenture, note or other evidence of indebtedness of Avista Corp. for borrowed money (including Indenture Securities of other series) or under any mortgage, indenture, or other instrument to evidence any indebtedness of Avista Corp. for borrowed money, which default (1) constitutes a failure to make any payment in excess of \$5,000,000 of the principal of, or interest on, such indebtedness or (2) has resulted in such indebtedness in an amount in excess of \$10,000,000 becoming or being declared due and payable prior to the date it would otherwise have become due and payable, without such payment having been made, such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 90 days after written notice to Avista Corp. by the Indenture Trustee or to Avista Corp. and the Indenture Trustee by the Holders of at least 25% in principal amount of the outstanding Securities of such series as provided in the Indenture; or
- certain events in bankruptcy, insolvency or reorganization of Avista Corp. (Indenture, Sec. 701)

## Remedies

### *Acceleration of Maturity*

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

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with respect to more than one series of Indenture Securities, the Indenture Trustee or the Holders of not less than 33% in aggregate principal amount of the outstanding Indenture Securities of all such series, considered as one class, may make such declaration of acceleration and not the Holders of any one such series.

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

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

### *Right to Direct Proceedings*

If an Event of Default with respect to the Indenture Securities of any series occurs and is continuing, the Holders of a majority in principal amount of the outstanding Indenture Securities of such series will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Indenture Trustee in exercising any trust or power conferred on the Indenture Trustee; *provided, however*, that if an Event of Default occurs and is continuing with respect to more than one series

of Indenture Securities, the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all such series, considered as one class, will have the right to make such direction, and not the Holders of any one of such series; and *provided, further*, that (a) such direction does not conflict with any rule of law or with the Indenture, and could not involve the Indenture Trustee in personal liability in circumstances where indemnity would not, in the Indenture Trustee's sole discretion, be adequate and (b) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee which is not inconsistent with such direction. (Indenture, Sec. 712)

#### *Limitation on Right to Institute Proceedings*

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

- such Holder has previously given to the Indenture Trustee written notice of a continuing Event of Default with respect to the Indenture Securities of any one or more series;
- the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all series in respect of which such Event of Default has occurred, considered as one class, have made written request to the Indenture Trustee to institute proceedings in respect of such Event of Default and have offered the Indenture Trustee reasonable indemnity against costs and liabilities to be incurred in complying with such request; and

21

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- for 60 days after receipt of such notice, the Indenture Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the Indenture Trustee during such 60 day period by the Holders of a majority in aggregate principal amount of Indenture Securities then outstanding.

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

#### *No Impairment of Right to Receive Payment*

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

#### *Notice of Default*

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

#### **Consolidation, Merger, Sale of Assets and Other Transactions**

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

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

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

For purposes of the Indenture, the conveyance, transfer or lease by Avista Corp. of all of its facilities (a) for the generation of electric energy, (b) for the transmission of electric energy, (c) for the

22

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

The Indenture will not prevent or restrict:

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

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

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

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

## Modification of Indenture

### *Modifications Without Consent*

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

- to evidence the succession of another Person to Avista Corp. and the assumption by any such successor of the covenants of Avista Corp. in the Indenture and in the Indenture Securities;
- to add one or more covenants of Avista Corp. or other provisions for the benefit of all Holders or for the benefit of the Holders of, or to remain in effect only so long as there shall be outstanding, Indenture Securities of one or more specified series, or one or more tranches thereof, or to surrender any right or power conferred upon Avista Corp. by the Indenture;
- to change or eliminate any provisions of the Indenture or to add any new provisions to the Indenture, provided that if such change, elimination or addition adversely affects the interests of the Holders of the Indenture Securities of any series or tranche in any material respect, such change, elimination or addition will become effective with respect to such series or tranche only when no Indenture Security of such series or tranche remains outstanding;
- to provide collateral security for the Indenture Securities or any series thereof;

23

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- to establish the form or terms of the Indenture Securities of any series or tranche as permitted by the Indenture;
  - to provide for the authentication and delivery of bearer securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and the solicitation of the vote or consent of, the Holders thereof, and for any and all other matters incidental thereto;
  - to evidence and provide for the acceptance of appointment by a successor trustee with respect to the Indenture Securities of one or more series;
  - to provide for the procedures required to permit the utilization of a non-certificated system of registration for all, or any series or tranche of, the Indenture Securities; or
  - to change any place or places where (a) the principal of and premium, if any, and interest, if any, on all or any series of Indenture Securities, or any tranche thereof, will be payable, (b) all or any series of Indenture Securities, or any tranche thereof, may be surrendered for registration of transfer, (c) all or any series of Indenture Securities, or any tranche thereof, may be surrendered for exchange and (d) notices and demands to or upon Avista Corp. in respect of all or any series of Indenture Securities, or any tranche thereof, and the Indenture may be served; or
  - to cure any ambiguity, to correct or supplement any provision therein which may be defective or inconsistent with any other provision therein, to make any other changes to the provisions thereof or to add any other provisions with respect to matters and questions arising under the Indenture, so long as such other changes or additions do not adversely affect the interests of the Holders of any series or tranche in any material respect.

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

### *Modifications Requiring Consent*

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

- change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Indenture Security other than pursuant to the terms thereof, or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest

24

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thereon) or change the method of calculating such rate or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of any Discount Security that would be due and payable upon a declaration of acceleration of Maturity or change the coin or currency (or other property) in which any Indenture Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity of any Indenture Security (or, in the case of redemption, on or after the redemption date) without, in any such case, the consent of the Holder of such Indenture Security;

- reduce the percentage in principal amount of the outstanding Indenture Securities of any series, or any tranche thereof, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with any provision of the Indenture or of any default thereunder and its consequences;
- reduce the requirements for quorum or voting, without, in any such case, the consent of the Holder of each outstanding Indenture Security of such series or tranche; or
- modify certain of the provisions of the Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the Indenture Securities of any series, or any tranche thereof, without the consent of the Holder of each outstanding Indenture Security of such series or tranche.

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

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

#### **Duties of the Indenture Trustee; Resignation; Removal**

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

The Indenture Trustee may resign at any time with respect to the Indenture Securities of one or more series by giving written notice thereof to Avista Corp. or may be removed at any time with respect to the Indenture Securities of one or more series by Act of the Holders of a majority in principal amount of the outstanding Indenture Securities of such series delivered to the Indenture Trustee and Avista Corp. No resignation or removal of the Indenture Trustee and no appointment of a successor trustee will become

25

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effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the Indenture. So long as no Event of Default or event which, after notice or lapse of time, or both, would become an Event of Default has occurred and is continuing, if Avista Corp. has delivered to the Indenture Trustee with respect to one or more series a resolution of its Board of Directors appointing a successor trustee with respect to that or those series and such successor has accepted such appointment in accordance with the terms of the Indenture, the Indenture Trustee with respect to that or those series will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the Indenture. (Indenture, Sec. 810)

#### **Evidence of Compliance**

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

#### **Governing Law**

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

### **DESCRIPTION OF COMMON STOCK**

#### **General**

The authorized capital stock of Avista Corp. consists of 10,000,000 shares of Preferred Stock, cumulative, without nominal or par value, which is issuable in series (the "Preferred Stock"), and 200,000,000 shares of Common Stock without nominal or par value, together with attached preferred share purchase rights (the "Common Stock"). Following is a brief description of certain of the rights and privileges of the Common Stock. For a complete description, reference is made to Avista Corp.'s Restated Articles of Incorporation, as amended (the "Articles"), and its Bylaws (the "Bylaws") and to the laws of the State of Washington. The following summary, which does not purport to be complete, is qualified in its entirety by such reference.

#### **Dividend Rights**

After full provision for all Preferred Stock dividends declared or in arrears, the holders of Common Stock are entitled to receive such dividends as may be lawfully declared from time to time by Avista Corp.'s Board of Directors.

The Indenture, dated as of April 3, 2001, between Avista Corp. and Chase Manhattan Bank and Trust Company, National Association, trustee, under which \$317.1 million of senior unsecured notes were outstanding as of December 31, 2003, contains restrictions on the payment of dividends. So long as there is no default under the Indenture, Avista Corp. does not expect these restrictions to limit its ability to pay dividends on its capital stock.

#### **Voting Rights**

The holders of the Common Stock have sole voting power, except as indicated below or as otherwise provided by law. Each holder of Common Stock is entitled to one vote per share, except that, in the election of directors, each holder has "cumulative" voting rights by which such holder is entitled to that number of votes which is equal to the number of directors to be elected multiplied by the number of shares held. These votes may all be cast for a single nominee for director or may be distributed among any two or more nominees.

26

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If dividends payable on any shares of Preferred Stock shall be in arrears in an amount equal to the aggregate amount of dividends accumulated on such shares of Preferred Stock over the eighteen (18) month period ended on such date, the holders of such stock become entitled, voting as one class, to elect a majority of the Board of Directors, and

the holders of the Common Stock, voting as a single class, will be entitled to elect the remaining directors of Avista Corp. Such right does not cease until all defaults in the payment of dividends on the Preferred Stock shall have been cured.

In addition, the consent of various proportions of the Preferred Stock at the time outstanding is required to adopt any amendment to the Articles which would authorize any new class of stock ranking prior to or on a parity with the Preferred Stock as to certain matters, to increase the authorized number of shares of the Preferred Stock or to change any of the rights or preferences of outstanding Preferred Stock.

### **Classified Board of Directors**

Both the Articles and the Bylaws provide for a Board of Directors divided into three classes. Each director of a class will generally serve for a term of three years, with only one class of directors being elected in each year. The classification of the Board of Directors reduces the impact of cumulative voting rights.

The Articles and Bylaws also generally provide that directors may be removed only for cause and only by the affirmative vote of the holders of at least a majority of the outstanding shares of Common Stock. The Articles and Bylaws further require an affirmative vote of the holders of at least 80% of the outstanding shares of Common Stock to alter, amend or repeal the provisions relating to the classification of the Board of Directors and the removal of members from, and the filling of vacancies on, the Board of Directors.

### **“Fair Price” Provision**

The Articles contain a “fair price” provision which requires the affirmative vote of the holders of at least 80% of the outstanding shares of Common Stock for the consummation of certain business combinations, including mergers, consolidations, recapitalizations, certain dispositions of assets, certain issuances of securities, liquidations and dissolutions involving Avista Corp. and a person or entity who is or, under certain circumstances, was, a beneficial owner of 10% or more of the outstanding shares of Common Stock (an “Interested Shareholder”) unless

- such business combination shall have been approved by a majority of the directors unaffiliated with the Interested Shareholder or
- certain minimum price and procedural requirements are met. The Articles provide that the “fair price” provision may be altered, amended or repealed only by the affirmative vote of the holders of at least 80% of the outstanding shares of Common Stock.

### **Preferred Share Purchase Rights**

#### *General*

Reference is made to the Rights Agreement, dated as of November 15, 1999 (the “Rights Agreement”) between Avista Corp. and The Bank of New York, as Rights Agent, filed with the SEC. The following statements are qualified in their entirety by such reference.

On November 12, 1999, the Avista Corp. Board of Directors authorized the Rights Agreement to replace the then-existing rights plan which expired on February 16, 2000. Under the Rights Agreement, Avista Corp. granted one preferred share purchase right (a “Right”) on each outstanding share of Common Stock to holders of Common Stock outstanding on February 15, 2000 or issued thereafter. The description and terms of Rights are set forth in the Rights Agreement.

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Each Right entitles the registered holder, subject to regulatory approvals and other specified conditions, to purchase one one-hundredth of a share of Preferred Stock at a purchase price of \$70.00 (the “Purchase Price”). The Rights are exercisable only if a person or group

- acquires beneficial ownership of 10% or more of the outstanding shares of Common Stock, or
- commences a tender or exchange offer, the consummation of which would result in the beneficial ownership by a person or group of 10% or more of the outstanding shares of Common Stock.

Until that time, the Rights are evidenced by and trade with the shares of Common Stock. The Rights will expire on March 31, 2009 unless Avista Corp. first redeems or exchanges them, in each case as described below.

The purchase of stock pursuant to the Rights may be subject to regulatory approvals and other specified conditions. Under no circumstances will a person or group that acquires 10% of the Common Stock be entitled to exercise Rights.

#### *“Flip-in”*

If any person or group acquires beneficial ownership of 10% or more of the outstanding shares of Common Stock, each unexercised Right will entitle its holder to purchase that number of shares of Common Stock or, at the option of Avista Corp., Preferred Stock, which has a market value at that time of twice the Purchase Price.

#### *“Flip-over”*

In the event that any person or group has acquired beneficial ownership of 10% or more of the outstanding shares of Common Stock, and Avista Corp.

- consolidates or merges with or into, or
- sells 50% or more of its assets or earning power to,

any person or group, each unexercised Right would instead entitle its holder to purchase the acquiring company’s common shares having a market value of twice the Purchase Price.

#### *Exchange*

If a person or group acquires beneficial ownership of more than 10% but less than 50% of the outstanding shares of Common Stock, Avista Corp. may exchange each outstanding Right for one share of Common Stock or cash, securities or other assets having a value equal to the market value of one share of Common Stock. That exchange may be subject to regulatory approvals.

#### *Redemption*

Avista Corp. may redeem the Rights, at a redemption price of \$0.01 per Right, at any time until any person or group has acquired beneficial ownership of 10% or more of the outstanding shares of Common Stock.

#### *Certain Adjustments*

The Purchase Price, the amount and type of securities covered by each Right and the number of Rights outstanding will be adjusted to prevent dilution

- in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock,

28

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- if holders of the Preferred Stock are granted certain rights, options or warrants to subscribe for Preferred Stock or securities convertible into Preferred Stock or equivalent preferred shares at less than the current market price of the Preferred Stock, or
  - upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustments in the Purchase Price will be made until cumulative adjustments amount to at least 1% of the Purchase Price. Avista Corp. will not issue fractional shares of Preferred Stock other than in integral multiples of one ten-thousandth of a share. Instead, Avista Corp. will make an adjustment in cash based on the market price of the Preferred Stock on the last trading date prior to the date of exercise.

#### *Amounts Outstanding*

Avista Corp. distributed one Right to its shareholders for each share of Common Stock owned of record by them at the close of business on February 15, 2000. Until the earliest of

- such time as any person or group acquires beneficial ownership of 10% or more of the outstanding shares of Common Stock,
- March 31, 2009, or
- the redemption of the Rights,

Avista Corp. has issued and will continue to issue one Right with each share of Common Stock that is issued after February 15, 2000 so that each outstanding share of Common Stock will have an appurtenant Right. Avista Corp. has initially authorized and reserved 600,000 shares of Preferred Stock for issuance upon exercise of the Rights.

#### *Amendment*

Avista Corp. may amend the Rights Agreement in any respect until any person or group has acquired beneficial ownership of 10% or more of the outstanding shares of Common Stock. Thereafter, Avista Corp. may amend the Rights Agreement in any manner which will not adversely affect the holders of the Rights in any material respect.

### **Statutory Limitation on “Significant Business Transactions”**

#### *General*

The Washington Business Corporation Act contains provisions that limit our ability to engage in “significant business transactions” with an “acquiring person”, each as defined below. We have no right to waive the applicability of these provisions.

#### *Significant Business Transactions Within Five Years of Share Acquisition Time*

Subject to certain exceptions, for five years after an “acquiring person’s” “share acquisition time”, Avista Corp. may not engage in any “significant business transaction” with such “acquiring person” unless, before such “share acquisition time”, a majority of the Board of Directors approves either:

- such “significant business transaction”; or
- the purchase of shares made by such “acquiring person”.

29

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#### *Significant Business Transactions More Than Five Years After Share Acquisition Time*

Avista Corp. may not engage in certain “significant business transactions” (including mergers, share exchanges and consolidations) with any “acquiring person” unless:

- the transaction complies with certain “fair price” provisions specified in the statute; or
- no earlier than five years after the “acquiring person’s” “share acquisition time”, the “significant business transaction” is approved at an annual or special meeting of shareholders (in which the “acquiring person’s” shares may not be counted in determining whether the “significant business transaction” has been approved).

#### *Definitions*

As used in this section:

“Significant business transaction” means any of various specified transactions involving an “acquiring person”, including:

- a merger, share exchange, or consolidation of Avista Corp. or any of its subsidiaries with an “acquiring person” or its affiliate;
- a sale, lease, transfer or other disposition to an “acquiring person” or its affiliate of assets of Avista Corp. or any of its subsidiaries having an aggregate market value equal to 5% or more of all of the assets determined on a consolidated basis, or all the outstanding shares of Avista Corp., or representing 5% or more of its earning power or net income determined on a consolidated basis;
- termination, at any time over the five-year period following the “share acquisition time”, of 5% or more of the employees of Avista Corp. as a result of the “acquiring person’s” acquisition of 10% or more of the shares of Avista Corp.; and
- the issuance or redemption by Avista Corp. or any of its subsidiaries of shares (or of options, warrants, or rights to acquire shares) of Avista Corp. or any of its subsidiaries to or beneficially owned by an “acquiring person” or its affiliate except pursuant to an offer, dividend distribution or redemption paid or made *pro rata* to all shareholders (or holders of options, warrants or rights).

“Acquiring person” means, with certain exceptions, a person (or group of persons) other than Avista Corp. or its subsidiaries who beneficially owns 10% or more of the outstanding Common Stock of Avista Corp.

“Share acquisition time” means the time at which a person first becomes an “acquiring person” of Avista Corp.

#### **Anti-Takeover Effect**

The provisions of the Articles and the Bylaws described above under “Classified Board of Directors” and “Fair Price’ Provision” and the Rights Agreement described above under “Preferred Share Purchase Rights”, together with the provisions of the Washington Business Corporation Act described above under “Statutory Limitations on ‘Significant Business Transactions’”, considered either individually or in the aggregate, may have an “anti-takeover” effect. These provisions could discourage a future takeover attempt which is not approved by Avista Corp.’s Board of Directors but which individual shareholders might deem to be in their best interests or in which shareholders would receive a premium for their shares over current market prices. As a result, shareholders who might desire to participate in such a transaction might not have an opportunity to do so.

30

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The Rights described above under “Preferred Share Purchase Rights” would cause substantial dilution to a person or group that attempts to acquire Avista Corp. on terms not approved by the Board of Directors, except pursuant to an offer conditioned on a substantial number of Rights being acquired or redeemed. However, the Rights should not interfere with any merger or other business combination approved by the Board of Directors prior to the time that a person or group has acquired beneficial ownership of 10% or more of the Common Stock since until such time the Rights may be redeemed, or the Rights Agreement may be amended, as described above.

The provisions described above under “Classified Board of Directors” could also cause the removal of the incumbent Board of Directors or management to require more time or render such removal more difficult, procedurally or otherwise.

#### **Liquidation Rights**

In the event of any liquidation of Avista Corp., after satisfaction of the preferential liquidation rights of the Preferred Stock, the holders of Common Stock would be entitled to share ratably in all assets of Avista Corp. available for distribution to shareholders.

#### **Pre-Emptive Rights**

No holder of any stock of Avista Corp. has any pre-emptive rights.

#### **Miscellaneous**

The presently outstanding shares of Common Stock are fully paid and non-assessable.

The Common Stock is listed on the New York Stock Exchange and the Pacific Exchange.

The New York Transfer Agent and Registrar for the Common Stock is The Bank of New York, 101 Barclay Street, 11<sup>th</sup> Floor, New York, New York 10286.

#### **WHERE YOU CAN FIND MORE INFORMATION**

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

#### **Incorporation of Documents by Reference**

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

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

and all of those documents are deemed to be a part of this prospectus from the date of filing such documents. We refer to the documents incorporated into this prospectus by reference as the “Incorporated Documents”. Any statement contained in an Incorporated Document may be modified or

superseded by a statement in this prospectus (if such Incorporated Document was filed prior to the date of this prospectus) in any prospectus supplement or in any subsequently filed Incorporated Document. The Incorporated Documents as of the date of this prospectus are:

- Annual Report on Form 10-K for the year ended December 31, 2003;
- Current Reports on Form 8-K filed on February 9, March 15 and April 20, 2004.

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

#### **PLAN OF DISTRIBUTION**

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

New shares of Avista Corp.'s Common Stock sold through agents or underwriters may be sold by means of (i) ordinary brokers' transactions; (ii) block transactions (which may involve crosses) in accordance with the rules of the New York Stock Exchange, the Pacific Stock Exchange and other exchanges on which the Common Stock is admitted to trading privileges, including transactions in which any agent may sell shares as agents but may also position and resell all or a portion of the blocks as principals; (iii) offerings off the floors of the exchanges or (iv) a combination of such methods. Sales may be made at prevailing market prices (which could be subject to change). Any such offering would be described in a supplement to this prospectus setting forth the terms of the offering and the number of shares being offered.

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

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

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

32

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Avista Corp. may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions will be an underwriter and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment).

The outstanding shares of Avista Corp.'s Common Stock are listed on the New York Stock Exchange and the Pacific Stock Exchange. Any new shares of Common Stock will also be listed on those exchanges, subject to official notice of issuance.

Each series of Securities will be a new issue and, except for the Common Stock, will have no established trading market.

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

#### **LEGAL MATTERS**

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

#### **EXPERTS**

The financial statements incorporated in this prospectus by reference from Avista Corp.'s most recent Annual Report on Form 10-K have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report (which includes an explanatory paragraph for certain changes in accounting and presentation resulting from the impact of recently adopted accounting standards), which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

33



Erik J. Anderson	Director	April 22, 2004
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/s/ Kristianne Blake		
Kristianne Blake	Director	April 22, 2004
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/s/ David A. Clack		
David A. Clack	Director	April 22, 2004
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/s/ Roy Lewis Eiguren		
Roy Lewis Eiguren	Director	April 22, 2004
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/s/ Jack W. Gustavel		
Jack W. Gustavel	Director	April 22, 2004
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/s/ John F. Kelly		
John F. Kelly	Director	April 22, 2004
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/s/ Jessie J. Knight, Jr.		
Jessie J. Knight, Jr.	Director	April 22, 2004
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/s/ Michael L. Noel		
Michael L. Noel	Director	April 22, 2004
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/s/ Lura J. Powell, Ph.D.		
Lura J. Powell, Ph.D.	Director	April 22, 2004
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/s/ R. John Taylor		
R. John Taylor	Director	April 22, 2004

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EXHIBIT INDEX

Exhibit	Description
1(a)	Form of Underwriting Agreement for offering of first mortgage bonds.
1(b)	Form of Underwriting Agreement for offering of common stock.
1(c)	Form of Underwriting Agreement for offering of senior notes.
1(d)*	Form of Sales Agency Agreement.
4(a)	Mortgage and Deed of Trust dated as of June 1, 1939, by and between Avista Corporation and Citibank, N.A., as Trustee (filed with registration number 2-4077 B-3).
4(a)(1)	First Supplemental Indenture to the Mortgage, dated as of October 1, 1952 (filed with registration number 2-9812 4(c)).
4(a)(2)	Second Supplemental Indenture to the Mortgage, dated as of May 1, 1953 (filed with registration number 2-60728 2(b)-2).
4(a)(3)	Third Supplemental Indenture to the Mortgage, dated as of December 1, 1955 (filed with registration number 2-13421 4(b)-3).
4(a)(4)	Fourth Supplemental Indenture to the Mortgage, dated as of March 15, 1957 (filed with registration number 2-13421 4(b)-4).
4(a)(5)	Fifth Supplemental Indenture to the Mortgage, dated as of July 1, 1957 (filed with registration number 2-60728 2(b)-5).

- 4(a)(6) Sixth Supplemental Indenture to the Mortgage, dated as of January 1, 1958 (filed with registration number 2-60728 2(b)-6).
- 4(a)(7) Seventh Supplemental Indenture to the Mortgage, dated as of August 1, 1958 (filed with registration number 2-60728 2(b)-7).
- 4(a)(8) Eighth Supplemental Indenture to the Mortgage, dated as of January 1, 1959 (filed with registration number 2-60728 2(b)-8).
- 4(a)(9) Ninth Supplemental Indenture to the Mortgage, dated as of January 1, 1960 (filed with registration number 2-60728 2(b)-9).
- 4(a)(10) Tenth Supplemental Indenture to the Mortgage, dated as of April 1, 1964 (filed with registration number 2-60728 2(b)-10).
- 4(a)(11) Eleventh Supplemental Indenture to the Mortgage, dated as of March 1, 1965 (filed with registration number 2-60728 2(b)-11).
- 4(a)(12) Twelfth Supplemental Indenture to the Mortgage, dated as of May 1, 1966 (filed with registration number 2-60728 2(b)-12).
- 4(a)(13) Thirteenth Supplemental Indenture to the Mortgage, dated as of August 1, 1966 (filed with registration number 2-60728 2(b)-13).
- 4(a)(14) Fourteenth Supplemental Indenture to the Mortgage, dated as of April 1, 1970 (filed with registration number 2-60728 2(b)-14).
- 4(a)(15) Fifteenth Supplemental Indenture to the Mortgage, dated as of May 1, 1973 (filed with registration number 2-60728 2(b)-15).
- 4(a)(16) Sixteenth Supplemental Indenture to the Mortgage, dated as of February 1, 1975

II-4

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(filed with registration number 2-60728 2(b)-16).

- 4(a)(17) Seventeenth Supplemental Indenture to the Mortgage, dated as of November 1, 1976 (filed with registration number 2-60728 2(b)-17).
- 4(a)(18) Eighteenth Supplemental Indenture to the Mortgage, dated as of June 1, 1980 (filed with registration number 2-69080 2(b)-18).
- 4(a)(19) Nineteenth Supplemental Indenture to the Mortgage, dated as of January 1, 1981 (filed with registration number 1-3701 (1980 Form 10-K) 4(a)-20).
- 4(a)(20) Twentieth Supplemental Indenture to the Mortgage, dated as of August 1, 1982 (filed with registration number 2-79571 4(a)-21).
- 4(a)(21) Twenty-first Supplemental Indenture to the Mortgage, dated as of September 1, 1983 (filed with registration number 1-3701 (Form 8-K dated September 20, 1983) 4(a)-22).
- 4(a)(22) Twenty-second Supplemental Indenture to the Mortgage, dated as of March 1, 1984 (filed with registration number 2-94816 4(a)-23).
- 4(a)(23) Twenty-third Supplemental Indenture to the Mortgage, dated as of December 1, 1986 (filed with registration number 1-3701 (1986 Form 10-K) 4(a)-24).
- 4(a)(24) Twenty-fourth Supplemental Indenture to the Mortgage, dated as of January 1, 1988 (filed with registration number 1-3701 (1987 Form 10-K) 4(a)-25).
- 4(a)(25) Twenty-fifth Supplemental Indenture to the Mortgage, dated as of October 1, 1989 (filed with registration number 1-3701 (1989 Form 10-K) 4(a)-26).
- 4(a)(26) Twenty-sixth Supplemental Indenture to the Mortgage, dated as of April 1, 1993 (filed with registration number 33-51669 4(a)-27).
- 4(a)(27) Twenty-seventh Supplemental Indenture to the Mortgage, dated as of January 1, 1994 (filed with registration number 1-3701 (1993 Form 10-K) 4(a)-28).
- 4(a)(28) Twenty-eighth Supplemental Indenture to the Mortgage, dated as of September 1,

2001 (filed with registration number 1-3701 (2001 Form 10-K) 4(a)-29).

- 4(a)(29) Twenty-ninth Supplemental Indenture to the Mortgage, dated as of December 1, 2001 (filed with registration number 333-82502 4(b)).
- 4(a)(30) Thirtieth Supplemental Indenture to the Mortgage, dated as of May 1, 2002 (filed with registration number 1-3701 (June 30, 2002 Form 10-Q) 4(f)).
- 4(a)(31) Thirty-first Supplemental Indenture to the Mortgage, dated as of May 1, 2003 (filed with registration number 333-106491 4(b)).
- 4(a)(32) Thirty-second Supplemental Indenture to the Mortgage, dated as of September 1, 2003 (filed with registration number 1-3701 (September 30, 2003 Form 10-Q) 4(f)).
- 4(b) Form of Supplemental Indenture to the Mortgage.
- 4(c) Indenture, dated as of April 1, 1998, between Avista Corporation, JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee (filed with Registration number 333-82165).
- 4(d) Form of Officer's Certificate to be used in connection with an underwritten public offering of Notes.

II-5

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- 4(e) Rights Agreement, dated as of November 15, 1999, between the Registrant and Bank of New York, Rights Agent (previously filed as Exhibit 4 to Current Report on Form 8-K, dated November 15, 1999)
  - 4(f) Restated Articles of Incorporation of Avista Corporation as amended November 1, 1999 (filed with registration number 1-3701 (2001 Form 10-K) 3(a)).
  - 4(g) Bylaws of Avista Corporation, as amended February 6, 2004 (filed with registration number 1-3701 (2003 Form 10-K) 3(b)).
  - 5(a) Opinion and Consent of Heller Ehrman White & McAuliffe LLP (previously filed as Exhibit 5(a) to original Registration Statement No. 333-64652 and Exhibit 5(a) to Registration Statement No. 333-106491).
  - 5(b) Opinion and Consent of Dewey Ballantine LLP (previously filed as Exhibit 5(b) to Registration Statement No. 333-106491).
  - 5(c) Opinion and Consent of Paine, Hamblen, Coffin, Brooke & Miller LLP (previously filed as Exhibit 5(a) to Registration Statement No. 333-82165).
  - 5(d) Opinion and Consent of Thelen Reid & Priest LLP (previously filed as Exhibit 5(b) to original Registration Statement No. 333-64652 and Exhibit 5(b) to Registration Statement No. 333-82165.)
  - 12 Computation of Ratio of Earnings to Fixed Charges of Avista Corporation (contained in Incorporated Documents).
  - 23(a) Consent of Heller Ehrman White & McAuliffe LLP (contained in Exhibit 5(a)).
  - 23(b) Consent of Dewey Ballantine LLP (contained in Exhibit 5(b)).
  - 23(c) Consent of Paine, Hamblen, Coffin, Brooke & Miller LLP (contained in Exhibit 5(c)).
  - 23(d) Consent of Thelen Reid & Priest LLP (contained in Exhibit 5(d)).
  - 23(e) Consent of Deloitte & Touche LLP.
  - 24 Power of Attorney (included on page II-3).
  - 25(a) Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of JPMorgan Chase Bank, as Trustee under the Indenture.
  - 25(b) Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of Citibank, N.A., as Trustee under the Mortgage and Deed of Trust.



## AVISTA CORPORATION

FIRST MORTGAGE BONDS, \_\_\_\_\_% SERIES DUE \_\_\_\_\_

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UNDERWRITING AGREEMENT

\_\_\_\_\_, 200\_

[Underwriters  
Representative]

Ladies and Gentlemen:

Avista Corporation, a Washington corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (collectively, the "Underwriters") for whom you are acting as representative (in such capacity you shall hereinafter be referred to as the "Representative") an aggregate of \$\_\_\_\_\_ principal amount of the First Mortgage Bonds, \_\_\_\_\_% Series due \_\_\_\_\_ (the "Securities"), as set forth in Schedule I hereto. The Securities are to be issued as an additional series of bonds under the Mortgage and Deed of Trust, dated as of June 1, 1939, between the Company and Citibank, N.A., as trustee (the "Trustee"), as amended and supplemented by various supplemental indentures including the \_\_\_\_\_ Supplemental Indenture, dated as of \_\_\_\_\_ 1, 200\_. Such Mortgage and Deed of Trust, as so amended and supplemented, and such \_\_\_\_\_ Supplemental Indenture are hereinafter called, respectively, the "Mortgage" and the "Supplemental Indenture".

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) (i) A registration statement on Form S-3 (File No. 333-64652) in respect of the Securities and certain other securities has been prepared and filed in accordance with the provisions of the Securities Act of 1933, as amended (the "Act"), with the Securities and Exchange Commission (the "Commission"); such registration statement has been declared effective by the Commission, and no other document with respect to the registration statement or documents incorporated by reference therein has heretofore been filed or transmitted for filing with the Commission (other than prospectuses filed pursuant to Rule 424(b) of the rules and regulations of the Commission under the Act, each in the form heretofore delivered to the Underwriters). Such registration statement, in the form in which it became effective and (including the exhibits thereto, but excluding the Statements of Eligibility in Form T-1) is hereinafter called the "Registration Statement"; and the prospectus relating to the Securities, in the form in

which it was included in the Registration Statement at the time it became effective, as supplemented by the prospectus supplement containing the terms of the Securities and the terms of the offering thereof, in the form in which it is filed with the Commission pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus";

(ii) Pursuant to Rule 429 under the Act, the Prospectus will be used as a combined prospectus relating to the Registration Statement and to (a) the registration statement filed by the Company with the Commission on July 2, 1999 (registration no. 333-82165) which, as subsequently amended, became effective on August 17, 1999 and (b) the registration statement filed by the Company with the Commission on June 25, 2003 (registration no. 333-106491) which, as subsequently amended, became effective on August 20, 2003; unless the context otherwise requires, all references in this Agreement to the Registration Statement shall be deemed to include such prior registration statements;

(iii) Any reference herein to the Registration Statement or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the effective date or the date thereof, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any reference to any amendment or supplement to the Prospectus shall be deemed to refer to and include any documents filed after the date of such Prospectus, under the Exchange Act and incorporated by reference in such Prospectus.

(b) No stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Company, threatened by the Commission; and no order preventing or suspending the use of any

preliminary prospectus or the Prospectus has been issued by the Commission;

(c) The Registration Statement, when it became effective, conformed, and any further amendments thereto, when they become effective, will conform, in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the Prospectus and any amendments or supplements thereto, when filed with the Commission, will conform in all material respects to the requirements of the Act and the Trust Indenture Act;

(d) The Registration Statement, when it became effective, and any further amendments thereto when they become effective, did not and will not contain an untrue statement of a material fact or omit to state a material

fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus and any amendments and supplements thereto, when they are filed or transmitted for filing with the Commission and at the Time of Delivery, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties contained in this subsection (d) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished in writing by an Underwriter through the Representative expressly for use in the Registration Statement, the Prospectus or any amendment or supplement to either thereof;

(e) The documents incorporated by reference in the Prospectus, when they were filed with the Commission, and any further documents so filed and incorporated by reference, when they are filed with the Commission or become effective, as the case may be, (i) conformed and will conform in all material respects to the requirements of the Exchange Act or the Act, as the case may be, and the rules and regulations of the Commission thereunder and (ii) did not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(f) Except as set forth in or contemplated by the Prospectus, (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been (A) any material adverse change in or affecting the business, financial condition, shareholders' equity or results of operations of the Company and its subsidiaries, considered as a whole, or any development reasonably expected to result in such a material adverse change (in each case, a "Material Adverse Change"), (B) any transaction entered into by the Company or any subsidiary thereof which is material to the Company and its subsidiaries as a whole other than transactions in the ordinary course of business, and (C) any change in the capital stock or long-term debt of the Company or any of its subsidiaries (except for shares of common stock issued under the Company's Dividend-Reinvestment and Stock Purchase Plan and employee stock plans and except for scheduled maturities of long-term debt) and (ii) neither the Company nor any of its subsidiaries has any contingent obligation which is material to the Company and its subsidiaries as a whole;

(g) The Company has been duly incorporated and is validly existing in good standing as a corporation under the laws of the State of Washington, is duly qualified to do business and in good standing as a foreign corporation under the laws of the States of California, Idaho, Montana and Oregon, and has corporate and other power and authority and has all material required approvals and authorizations to own, lease and operate its properties, and to transact an electric and/or gas public utility business in such jurisdictions;

(h) Each of Avista Capital, Inc., Avista Energy, Inc. and Avista Advantage, Inc. is duly incorporated and validly existing in good standing under the laws of the State of Washington;

(i) All of the issued shares of capital stock of Avista Capital, Avista Energy and Avista Advantage have been duly and validly authorized and issued, are fully paid and non-assessable; \_\_\_\_\_ shares of Avista Capital's capital stock are issued and outstanding and the Company is the record holder of \_\_\_\_\_ shares of such capital stock; \_\_\_\_\_ shares of Avista Energy's capital stock are issued and outstanding and Avista Capital is the record holder of \_\_\_\_\_ shares of such capital stock; and \_\_\_\_\_ shares of Avista Advantage's capital stock are issued and outstanding (excluding \_\_\_\_\_ shares of convertible preferred stock which is held by unrelated parties) and Avista Capital is the record holder of \_\_\_\_\_ shares of such capital stock and the ownership interests of Avista Capital, Avista Energy and Avista Advantage that are owned directly or indirectly by the Company are owned free and clear of all liens, encumbrances, equities or claims;

(j) The Securities have been duly authorized by all necessary corporate action on the part of the Company, and have been duly executed by the Company and, when duly authenticated and delivered by the Trustee under the Mortgage, and issued, delivered and paid for in accordance with this Agreement, will be duly issued and delivered by the Company and will constitute valid and binding obligations of the Company, entitled to the benefits provided by the Mortgage and enforceable against the Company in accordance with their terms, subject, as to enforcement, (i) to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws of general applicability relating to or affecting creditors' rights, and (ii) by general principles of equity, whether such enforceability is considered a proceeding in equity or at law, and by rules of law governing specific performance, injunction relief, foreclosure, receivership and other equitable remedies (the "Enforceability Exceptions"), and are entitled to the benefits provided by the Mortgage; the Securities will be substantially in the form previously delivered to the Representative; and the Securities will conform in all material respects to the description thereof contained in the Prospectus;

(k) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable;

(l) The Mortgage has been duly authorized and the Mortgage (excluding the Supplemental Indenture) has been duly executed and delivered; when the Supplemental Indenture is duly executed, delivered and appropriately recorded, the Mortgage will constitute a valid and legally binding instrument, enforceable in accordance with its terms, subject as to enforcement, to the Enforceability Exceptions; and except, further, to the extent that the law of the jurisdictions in which the mortgaged property is located may limit or deny certain remedial provisions of the Mortgage; the Mortgage has been duly qualified under the Trust Indenture Act; and the

Mortgage will conform in all material respects to the description thereof contained in the Prospectus;

(m) The Company has good and marketable title in fee simple to all of its real estate and fixed properties and good title to all of its other property, subject only (i) to the lien of the Mortgage, (ii) to leases of minor portions of the Company's property to others for uses which do not interfere with the Company's business; (iii) to leases of certain property of the Company not used in its utility business, (iv) to Excepted Encumbrances (as defined in the Mortgage) and (v) to encumbrances, defects and irregularities customarily found in properties of like size and character, which, in the Company's opinion, do not materially impair the use of the property affected thereby in the operation of the business of the Company; upon the due execution, delivery and appropriate recording of the Supplemental Indenture, the Mortgage will constitute, subject only to the exceptions enumerated immediately above, a valid first mortgage lien for the security of the Securities and all other bonds issued and presently outstanding thereunder on such properties, which include substantially all of the physical properties and franchises of the Company other than those expressly excepted;

(n) The description in the Mortgage of the properties intended to be subject to the Mortgage is adequate to constitute a lien thereon; and the Mortgage (excluding the Supplemental Indenture) has been duly and properly recorded in the proper offices of the respective counties in which the real estate and other physical properties of the Company are located, and the Supplemental Indenture will be so recorded forthwith, and no other recording or filing of the Mortgage is or will be necessary to maintain or perfect of record the lien thereof;

(o) The issue and sale of the Securities and the compliance by the Company with all of the provisions of the Securities, the Mortgage and this Agreement and the consummation by the Company of the transactions herein and therein contemplated will not (i) violate the Company's Restated Articles of Incorporation, as amended, or By-laws or (ii) result in a breach or violation of any of the terms or provisions of, or constitute a default under, (A) any statute or, to the knowledge of the Company, any order, rule or regulation of any court or any federal or state regulatory authority or other governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (B) any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, which breach, violation or default referred to in this clause (ii) would individually, or in the aggregate, have, or would be reasonably expected to have, a material adverse effect on the business, financial condition, shareholders' equity or results of operations of the Company and its subsidiaries considered as a whole (in each case, a "Material Adverse Effect"); and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities or the consummation by

the Company of the transactions contemplated by this Agreement or the Mortgage, except the registration under the Act of the Securities and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters, and such consents, approvals, authorizations, filings or registrations as may be required by the Washington Utilities and Transportation Commission (the "WUTC"), the California Public Utilities Commission (the "CPUC"), the Idaho Public Utilities Commission (the "IPUC"), the Public Service Commission of the State of Montana (the "MPSC") and the Public Utility Commission of Oregon (the "OPUC"), in each case in the manner contemplated hereby;

(p) None of the Company, Avista Capital, Inc., Avista Energy, Inc. and Avista Advantage, Inc. is currently in violation of its Restated Articles of Incorporation or By-laws, or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any material indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except for the performance or observance of any such obligation, agreement, covenant or condition that has been waived in accordance with the applicable agreement;

(q) Other than as set forth in the Prospectus, neither the Company nor any of its subsidiaries (i) is in violation of any statute, or any rule, regulation, decision or order of any governmental agency or body or any court relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environmental or human exposure to hazardous or toxic substances (collectively, "environmental laws"), (ii) does not own or operate any real property which to its knowledge is contaminated with any substance that is subject to any environmental laws, (iii) is not to its knowledge liable for any off-site disposal or contamination pursuant to any environmental laws, and (iv) is not subject to any claim relating to any environmental laws and the Company is not aware of any pending investigation which could reasonably be expected to lead to such a claim, which, in the case of (i), (ii), (iii), or (iv), would reasonably be expected to result in a Material Adverse Effect;

(r) The statements set forth in the Prospectus under the captions ["Description of the Offered Bonds"] and ["Description of the Bonds"], insofar as they purport to constitute a summary of the terms of the Securities, and under the captions "Underwriting" and "Plan of Distribution", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate and fairly present the information purported to be given;

(s) Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject, which, if determined adversely to the

Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(t) The Company is not, and, after giving effect to the offering and sale of the Securities, will not be an "investment company", as such term is defined in the United States Investment Company Act of 1940, as amended (the "Investment Company Act");

(u) The Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act; and

(v) Deloitte & Touche LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, severally and not jointly, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price of \_\_\_\_\_% of the principal amount thereof, plus accrued interest, if any, from \_\_\_\_\_, 200\_ to the Time of Delivery hereunder, the principal amount of the securities set forth opposite the name of such Underwriter in Schedule I hereto.

3. Upon the authorization by the Representative of the release of the Securities, the several Underwriters propose to offer the Securities for sale upon the terms and conditions set forth in this Agreement and the Prospectus.

4. (a) The Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global Securities in book-entry form to be deposited with The Depository Trust Company ("DTC") or its designated custodian. The Company will deliver the global Securities to DTC or such custodian to be credited to the account of the Representative, for the account of each Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefore by wire transfer of Federal (same day) funds. The Company will cause the certificates representing the Securities to be made available to the Representative for checking at least twenty-four hours prior to the Time of Delivery (as defined below) at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be \_\_\_\_\_, New York City time, on \_\_\_\_\_, 200\_ or such other time and date as the Representative and the Company may agree upon in writing. Such time and date are herein called the "Time of Delivery";

(b) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 7(k) hereof, will be delivered at the offices of Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, New York 10019 (the "Closing Location"), and the Securities will be delivered

at the Designated Office, all at the Time of Delivery. A meeting will be held at the Closing Location at \_\_\_\_\_, New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Agreement, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday, which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by the Representative and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement; to make no further amendment or any supplement to the Registration Statement or Prospectus prior to the last Time of Delivery which shall be reasonably disapproved by the Representative promptly after reasonable notice thereof; to advise the Representative, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish the Representative with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Securities; to advise the Representative, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any prospectus or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as the Representative may reasonably request to qualify the Securities for offering and sale under the securities laws of such jurisdictions as the Representative may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) Prior to \_\_\_\_\_, New York City time, on the New York business day succeeding the date of this Agreement, or as soon thereafter as may be reasonably practicable, to furnish the Underwriters with written and electronic copies of the Prospectus in such quantities as the Representative may from time to time reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Securities and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act, the Exchange Act or the Trust Indenture Act, to notify the Representative and upon their reasonable request to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many written and electronic copies as the Representative may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Securities at any time nine months or more after the time of issue of the Prospectus, upon their request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as such Underwriter may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) covering a period of at least 12 months beginning after the later of (i) the effective date of the most recent post-effective amendment to the Registration Statement to become effective prior to the date of this Agreement and (ii) the date of the Company's most recent Annual Report on Form 10-K filed with the Commission prior to the date of this Agreement, which will satisfy the provisions of Section 11(a) of the Act and the rules and regulations thereunder including Rule 158;

(e) During the period beginning from the date hereof and continuing to and including the later of (i) the completion of the distribution of the Securities, as shall be promptly notified to the Company by the Representative upon such completion, but in no event shall such period exceed [90] days from the Time of Delivery, and (ii) the Time of Delivery, not to offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any debt securities of the Company that are substantially similar to the Securities, without the prior written consent of the Representative (it being understood that this paragraph shall not

prohibit the issuance of commercial paper or other debt securities with scheduled maturities of less than one year, debt securities issued in connection with any credit facility, or debt securities issued as collateral for other obligations);

(f) To use the net proceeds received by it from the sale of the Securities pursuant to this Agreement in the manner specified in the Prospectus under the caption "Use of Proceeds";

(g) To obtain title insurance (or an endorsement thereto) as of the Time of Delivery on terms reasonably acceptable to the Representative and in accordance with all applicable laws and regulations, naming the Trustee (on behalf of the holders of all securities issued and outstanding under the Mortgage) as the insured (without any co-insurance exception), and in an amount not less than \$\_\_\_\_\_ covering all real estate and improvements affixed thereto that are subject to the lien created by the Mortgage.

6. The Company hereby covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Securities under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any preliminary prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among Underwriters, this Agreement, any supplemental indenture under the Mortgage, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) any expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey, if any; (iv) any fees charged by securities rating services for rating the Securities; (v) any filing fees incident to, and the fees and disbursements of counsel for the Underwriters in connection with any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Securities; (vi) the cost of preparing the Securities; (vii) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with any supplemental indenture under the Mortgage and the Securities; and (viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, and Sections 8 and 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, transfer taxes on resale of any of the Securities by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters hereunder shall be subject, in the discretion of the Representative, to the condition that all representations and warranties and other statements of the Company herein are, at and as of the Time of Delivery, true and correct, the condition that the Company shall have

performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representative;

(b) There shall have been issued and there shall be in full force and effect, (i) appropriate orders of the WUTC, the IPUC and the OPUC permitting the issuance and sale of the Securities on the terms herein set forth or contemplated, and containing no provision reasonably unacceptable to the Representatives, it being understood that no such order in effect on the date of this Agreement contains any such unacceptable provision, and (ii) appropriate exemptive orders of the MPSC and the CPUC;

(c) Sullivan & Cromwell LLP, counsel for the Underwriters, shall have furnished to the Representative such written opinion or opinions, dated the Time of Delivery, with respect to the incorporation of the Company, the Mortgage, the Securities, the Registration Statement and the Prospectus, as well as such other related matters as the Representative may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters. In rendering such opinion or opinions, Sullivan & Cromwell LLP may rely, as to the incorporation of the Company and as to all other matters governed by Washington, California, Idaho, Montana or Oregon law, upon the opinion of Heller Ehrman White & McAuliffe LLP referred to below;

(d) David J. Meyer, Vice President and Chief Counsel for Regulatory and Governmental Affairs to the Company, shall have furnished to the Representative its written opinion or opinions, dated the Time of Delivery, to the effect set forth in Exhibit A hereto;

(e) At the Time of Delivery, Heller Ehrman White & McAuliffe LLP and Dewey Ballantine LLP shall have furnished to the Representative opinions, each dated as of the Time of Delivery, to the effect set forth in Exhibit A hereto;

(f) On the date of the Prospectus at a time prior to the execution of this Agreement and at the Time of Delivery, Deloitte & Touche LLP shall have furnished to the Representative a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representative;

(g) Except as set forth in or contemplated by the Prospectus, (i) since the respective dates as of which information is given in the Prospectus there shall not have been (A) any Material Adverse Change, (B) any transaction entered into by the Company or any subsidiary thereof which is material to the Company and its subsidiaries as a whole other than transactions in the ordinary course of business, or (C) any change in the capital stock or long-term debt of the Company or any of its subsidiaries (except for shares of common stock issued under the Company's Dividend-Reinvestment and Stock Purchase Plan and employee stock plans and except for scheduled maturities of long-term debt) and (ii) neither the Company nor any of its subsidiaries shall have any contingent obligation which is material to the Company and its subsidiaries as a whole, the effect of which, in the case of any such event specified in clauses (i) or (ii) above, is in the judgment of the Representative so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or delivery of the Securities on the terms and in the manner contemplated in this Agreement or in the Prospectus;

(h) On or after the date hereof (i) no downgrading shall have occurred in the rating accorded the Company's debt securities or preferred stock by any "nationally recognized statistical rating organization", as such term is defined by the Commission for purposes of Rule 436(g)(2) under the Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities or preferred stock;

(i) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or on the Pacific Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on any securities exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; or (iv) the outbreak of hostilities or the escalation of existing hostilities involving the United States or the declaration by the United States of a national emergency or war, or the occurrence of any other national or international calamity or crises, including without limitation, acts of terrorism, or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in this clause (iv) in the judgment of the Representative, makes it impracticable or inadvisable to proceed with the public offering or delivery of the Securities on the terms and in the manner contemplated in the Prospectus;

(j) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses; and

(k) The Company shall have furnished or caused to be furnished to the Representative at the Time of Delivery certificates of officers of the Company satisfactory to the Representative as to the accuracy of the representations and warranties of the Company herein at and as of the Time

of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in subsections (a) and (h) of this Section and as to such other matters as the Representative may reasonably request.

8. (a) (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; PROVIDED, HOWEVER, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representative expressly for use therein and PROVIDED, FURTHER, that the Company shall not be liable to any Underwriter under this subsection in respect of any such loss, claim, damage or liability arising out of or based upon an untrue statement or alleged untrue statement in, or an omission or alleged omission from, any preliminary prospectus if (i) such Underwriter sold securities to a person to whom it delivered a copy of such preliminary prospectus, (ii) no copy of the Prospectus was delivered to such person with or prior to the written confirmation of the sale involved, (iii) the Company had previously furnished copies of the Prospectus in sufficient quantities and sufficiently in advance of the Time of Delivery to allow for the distribution thereof prior to the Time of Delivery and (iv) the defect in such preliminary prospectus was corrected in the Prospectus;

(b) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any preliminary prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representative expressly for use therein; and will reimburse the Company for any legal or other

expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred;

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the foregoing, in any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The indemnifying party shall not, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. The indemnified party shall not, without the written consent of the indemnifying party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any such pending or threatened action or claim;

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the

offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by PRO RATA allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall, except as limited by subsection (c) above, be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint;

(e) The obligations of the Company under this Section 8 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act;

9. (a) (a) If any Underwriter shall default in its obligation to purchase the Securities which it has agreed to purchase hereunder at a Time of Delivery, the Representative may in its discretion arrange for itself or another party or other parties to purchase such Securities on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Representative does not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties reasonably satisfactory to the Representative to purchase such Securities on such terms. In the event that, within the respective prescribed periods, the Representative notifies the Company that it has so arranged for the purchase of such Securities, or the Company notifies the Representative that it has so arranged for the purchase of such Securities, the Representative or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which, in the reasonable judgment of the Representative, may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section 9 with like effect as if such person had originally been a party to this Agreement with respect to such Securities;

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representative and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased does not exceed one-tenth of the aggregate principal amount of all the Securities to be purchased at the Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Securities which such Underwriter agreed to purchase hereunder at the Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its PRO RATA share (based on the principal amount of Securities which such Underwriter agreed to purchase hereunder) of the Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default;

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representative and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased exceeds one-tenth of the aggregate principal amount of all the Securities to be purchased at the Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Securities of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Securities.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if this Agreement is not consummated for any other reason, the Company will reimburse the Underwriters through the Representative for all out-of-pocket expenses approved in writing by the Representative, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities not so delivered, but the Company shall then be under no further liability to any Underwriter except as provided in Sections 6 and 8 hereof.

12. In all dealings hereunder, the Representative shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by such Representative.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Representative at \_\_\_\_\_, Attention: \_\_\_\_\_ (with a copy to the General Counsel at the same address); and if to the Company shall be delivered or sent by mail to the address of the Company set forth in the Registration Statement, Attention: Treasurer; Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us [8] counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this Agreement and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company. It is understood that the acceptance by you of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in the Agreement Among Underwriters, a copy of which shall be submitted to the Company for examination, but without warranty on the part of the Representative as to the authority of the signers thereof (other than the Representative).

Very truly yours,

AVISTA CORPORATION

By:

-----

Name: Malyn K. Malquist  
Title: Senior Vice President, Chief Financial Officer and Treasurer

Accepted as of the date hereof:

- -----

By:

-----

Name:  
Title:

On behalf of each of the Underwriters

SCHEDULE I

UNDERWRITER	PRINCIPAL AMOUNT OF
-----	SECURITIES TO BE PURCHASED
	-----
.....	\$
.....	
Total.....	\$

=====

EXHIBIT A  
CONTENTS OF OPINIONS OF COUNSEL

## AVISTA CORPORATION

COMMON STOCK  
(NO PAR VALUE)-----  
UNDERWRITING AGREEMENT

\_\_\_\_\_, 200\_

[Underwriters  
Representative]

Ladies and Gentlemen:

Avista Corporation, a Washington corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (collectively, the "Underwriters") for whom you are acting as representative (in such capacity you shall hereinafter be referred to as the "Representative") an aggregate of \_\_\_\_\_ shares (the "Shares") of Common Stock (no par value) ("Stock") of the Company.

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) (i) A registration statement on Form S-3 (File No. 333-64652) in respect of the Shares and certain other securities has been prepared and filed in accordance with the provisions of the Securities Act of 1933, as amended (the "Act"), with the Securities and Exchange Commission (the "Commission"); such registration statement has been declared effective by the Commission, and no other document with respect to the registration statement or documents incorporated by reference therein has heretofore been filed or transmitted for filing with the Commission (other than prospectuses filed pursuant to Rule 424(b) of the rules and regulations of the Commission under the Act, each in the form heretofore delivered to the Underwriters). Such registration statement, in the form in which it became effective and (including the exhibits thereto, but excluding the Statements of Eligibility in Form T-1) is hereinafter called the "Registration Statement"; and the prospectus relating to the Shares, in the form in which it was included in the Registration Statement at the time it became effective, as supplemented by the prospectus supplement containing the terms of the Shares and the terms of the offering thereof, in the form in which it is filed with the Commission pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus";

(ii) Pursuant to Rule 429 under the Act, the Prospectus will be used as a combined prospectus relating to the Registration Statement and to (a) the registration statement filed by the Company with the Commission on July 2, 1999 (registration no. 333-82165) which, as subsequently amended, became effective on August 17, 1999 and (b) the registration statement filed by the Company with the Commission on June 25, 2003 (registration no. 333-106491) which, as subsequently amended, became effective on August 20, 2003; unless the context otherwise requires, all references in this Agreement to the Registration Statement shall be deemed to include such prior registration statements;

(iii) Any reference herein to the Registration Statement or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the effective date or the date thereof, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any reference to any amendment or supplement to the Prospectus shall be deemed to refer to and include any documents filed after the date of such Prospectus, under the Exchange Act and incorporated by reference in such Prospectus.

(b) No stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Company, threatened by the Commission; and no order preventing or suspending the use of any preliminary prospectus or the Prospectus has been issued by the Commission;

(c) The Registration Statement, when it became effective,

conformed, and any further amendments thereto, when they become effective, will conform, in all material respects to the requirements of the Act, and the Prospectus and any amendments or supplements thereto, when filed with the Commission, will conform in all material respects to the requirements of the Act;

(d) The Registration Statement, when it became effective, and any further amendments thereto when they become effective, did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus and any amendments and supplements thereto, when they are filed or transmitted for filing with the Commission and at the Time of Delivery, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties contained in this subsection (d) shall not apply to statements or omissions made in reliance upon and in conformity with

information furnished in writing by an Underwriter through the Representative expressly for use in the Registration Statement, the Prospectus or any amendment or supplement to either thereof;

(e) The documents incorporated by reference in the Prospectus, when they were filed with the Commission, and any further documents so filed and incorporated by reference, when they are filed with the Commission or become effective, as the case may be, (i) conformed and will conform in all material respects to the requirements of the Exchange Act or the Act, as the case may be, and the rules and regulations of the Commission thereunder and (ii) did not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(f) Except as set forth in or contemplated by the Prospectus, (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been (A) any material adverse change in or affecting the business, financial condition, shareholders' equity or results of operations of the Company and its subsidiaries, considered as a whole, or any development reasonably expected to result in such a material adverse change (in each case, a "Material Adverse Change"), (B) any transaction entered into by the Company or any subsidiary thereof which is material to the Company and its subsidiaries as a whole other than transactions in the ordinary course of business, and (C) any change in the capital stock or long-term debt of the Company or any of its subsidiaries (except for shares of common stock issued under the Company's Dividend-Reinvestment and Stock Purchase Plan and employee stock plans and except for scheduled maturities of long-term debt) and (ii) neither the Company nor any of its subsidiaries has any contingent obligation which is material to the Company and its subsidiaries as a whole;

(g) The Company has been duly incorporated and is validly existing in good standing as a corporation under the laws of the State of Washington, is duly qualified to do business and in good standing as a foreign corporation under the laws of the States of California, Idaho, Montana and Oregon, and has corporate and other power and authority and has all material required approvals and authorizations to own, lease and operate its properties, and to transact an electric and/or gas public utility business in such jurisdictions;

(h) Each of Avista Capital Inc. ("Avista Capital"), Avista Energy, Inc. ("Avista Energy") and Avista Advantage, Inc. ("Avista Advantage") is duly incorporated and validly existing in good standing under the laws of the State of Washington;

(i) All of the issued shares of capital stock of Avista Capital, Avista Energy and Avista Advantage have been duly and validly authorized and issued, are fully paid and non-assessable; \_\_\_\_\_ shares of Avista Capital's capital stock are issued and outstanding and the Company is the record holder of \_\_\_\_\_ shares

of such capital stock; \_\_\_\_\_ shares of Avista Energy's capital stock are issued and outstanding and Avista Capital is the record holder of \_\_\_\_\_ shares of such capital stock; and \_\_\_\_\_ shares of Avista Advantage's capital stock are issued and outstanding (excluding \_\_\_\_\_ shares of convertible preferred stock which is held by unrelated parties) and Avista Capital is the record holder of \_\_\_\_\_ shares of such capital stock and the ownership interests of Avista Capital, Avista Energy and Avista Advantage that are owned directly or indirectly by the Company are owned free and clear of all liens, encumbrances, equities or claims;

(j) The Shares have been duly and validly authorized and, when issued and delivered against payment therefore as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform to the description of the Stock contained in the Prospectus;

(k) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable;

(l) The issue and sale of the Shares and the compliance by the Company with all of the provisions of this Agreement and the consummation by the Company of the transactions herein contemplated will not (i) violate the Company's Restated Articles of Incorporation, as amended, or By-laws or (ii) result in a breach or violation of any of the terms or provisions of, or constitute a default under, (A) any statute or, to the knowledge of the Company, any order, rule or regulation of any court or any federal or state regulatory authority or other governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (B) any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, which breach, violation or default referred to in this clause (ii) would individually, or in the aggregate, have, or would be reasonably expected to have, a material adverse effect on the business, financial condition, shareholders' equity or results of operations of the Company and its subsidiaries considered as a whole (in each case, a "Material Adverse Effect"); and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters, and such consents, approvals, authorizations, filings or registrations as may be required by the Washington Utilities and Transportation Commission (the "WUTC"), the California Public Utilities Commission (the "CPUC"), the Idaho Public Utilities Commission (the "IPUC"), the Public Service Commission of the State of

Montana (the "MPSC") and the Public Utility Commission of Oregon (the "OPUC"), in each case in the manner contemplated hereby;

(m) None of the Company, Avista Capital, Avista Energy and Avista Advantage is currently in violation of its Restated Articles of Incorporation or By-laws, or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any material indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except for the performance or observance of any such obligation, agreement, covenant or condition that has been waived in accordance with the applicable agreement;

(n) Other than as set forth in the Prospectus, neither the Company nor any of its subsidiaries (i) is in violation of any statute, or any rule, regulation, decision or order of any governmental agency or body or any court relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environmental or human exposure to hazardous or toxic substances (collectively, "environmental laws"), (ii) does not own or operate any real property which to its knowledge is contaminated with any substance that is subject to any environmental laws, (iii) is not to its knowledge liable for any off-site disposal or contamination pursuant to any environmental laws, and (iv) is not subject to any claim relating to any environmental laws and the Company is not aware of any pending investigation which could reasonably be expected to lead to such a claim, which, in the case of (i), (ii), (iii), or (iv), would reasonably be expected to result in a Material Adverse Effect;

(o) The statements set forth in the Prospectus under the caption "Description of Common Stock", insofar as they purport to constitute a summary of the terms of the Shares, and under the captions "Underwriting" and "Plan of Distribution", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate and fairly present the information purported to be given;

(p) Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject, which, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(q) The Company is not, and, after giving effect to the offering and sale of the Shares, will not be an "investment company", as such term is defined in the United States Investment Company Act of 1940, as amended (the "Investment Company Act");

(r) [The Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;]and

(s) Deloitte & Touche LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, severally and not jointly, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of \$\_\_\_\_\_, the number of Shares set forth opposite the name of such Underwriter in Schedule I hereto.

3. Upon the authorization by the Representative of the release of the Shares, the several Underwriters propose to offer the Shares for sale upon the terms and conditions set forth in this Agreement and the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as the Representative may request upon at least forty-eight hours' prior notice to the Company, shall be delivered by or on behalf of the Company to the Representative, through the facilities of the Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefore by wire transfer of Federal (same-day) funds to the account specified by the Company to the Representative at least forty-eight hours in advance. The Company will cause the certificates representing the Shares to be made available to the Representative for checking at least twenty-four hours prior to the Time of Delivery (as defined below) at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be \_\_\_\_ a.m. New York City time, on \_\_\_\_\_, 200\_ or such other date as the Representative and the Company may agree upon in writing. Such time and date are herein called the "Time of Delivery";

(b) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7[(1)] hereof, will be delivered at the offices of Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, New York 10019 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at the Time of Delivery. A meeting will be held at the Closing Location at \_\_\_\_\_, New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Agreement, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday, which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by the Representative and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement; to make no further amendment or any supplement to the Registration Statement or Prospectus prior to the last Time of Delivery which shall be reasonably disapproved by the Representative promptly after reasonable notice thereof; to advise the Representative, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish the Representative with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Shares; to advise the Representative, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any prospectus or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as the Representative may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as the Representative may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) Prior to \_\_\_\_\_, New York City time, on the New York business day succeeding the date of this Agreement, or as soon thereafter as may be reasonably practicable, to furnish the Underwriters with written and electronic copies of the Prospectus in such quantities as the Representative may from time to time reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the

light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, to notify the Representative and upon their reasonable request to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many written and electronic copies as the Representative may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon their request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as such Underwriter may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) covering a period of at least 12 months beginning after the later of (i) the effective date of the most recent post-effective amendment to the Registration Statement to become effective prior to the date of this Agreement and (ii) the date of the Company's most recent Annual Report on Form 10-K filed with the Commission prior to the date of this Agreement, which will satisfy the provisions of Section 11(a) of the Act and the rules and regulations thereunder including Rule 158;

(e) During the period beginning from the date hereof and continuing to and including the later of (i) the completion of the distribution of the Shares, as shall be promptly notified to the Company by the Representative upon such completion, but in no event shall such period exceed [90] days from the Time of Delivery, and (ii) the Time of Delivery, not to offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any securities of the Company that are substantially similar to the Shares, without the prior written consent of the Representative [(it being understood that this paragraph shall not prohibit the issuance of securities pursuant to employee benefit plans, stock option plans or shareholder rights plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement)];

(f) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Prospectus under the caption "Use of Proceeds";

(g) To use all commercially reasonable efforts to list, subject to notice of issuance, the Shares on the New York Stock Exchange (the "NYSE") and the Pacific Stock Exchange (the "PSE").

6. The Company hereby covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any preliminary prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among Underwriters, this Agreement, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) any expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey, if any; (iv) all fees and expenses in connection with listing the Shares on the NYSE and the PSE; (v) any filing fees incident to, and the fees and disbursements of counsel for the Underwriters in connection with any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Shares; (vi) the cost of preparing the stock certificates; and (vii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, and Sections 8 and 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters hereunder shall be subject, in the discretion of the Representative, to the condition that all representations and warranties and other statements of the Company herein are, at and as of the Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representative;

(b) There shall have been issued and there shall be in full force and effect, (i) appropriate orders of the WUTC, the IPUC and the OPUC permitting

the issuance and sale of the Shares on the terms herein set forth or contemplated, and containing no provision reasonably unacceptable to the Representatives, it being understood that no such order in effect on the date of this Agreement contains any such unacceptable provision, and (ii) appropriate exemptive orders of the MPSC and the CPUC;

(c) Sullivan & Cromwell LLP, counsel for the Underwriters, shall have furnished to the Representative such written opinion or opinions, dated the Time of Delivery, with respect to the incorporation of the Company, the Shares, the Registration Statement and the Prospectus, as well as such other related matters as the Representative may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters. In rendering such opinion or opinions, Sullivan & Cromwell LLP may rely, as to the incorporation of the Company and as to all other matters governed by Washington, California, Idaho, Montana or Oregon law, upon the opinion of Heller Ehrman White & McAuliffe LLP referred to below;

(d) David J. Meyer, Vice President and Chief Counsel for Regulatory and Governmental Affairs for the Company, shall have furnished to the Representative its written opinion or opinions, dated the Time of Delivery, to the effect set forth in Exhibit A hereto;

(e) At the Time of Delivery, Heller Ehrman White & McAuliffe LLP and Dewey Ballantine LLP shall have furnished to the Representative opinions, each dated as of the Time of Delivery, to the effect set forth in Exhibit A hereto;

(f) On the date of the Prospectus at a time prior to the execution of this Agreement and at the Time of Delivery, Deloitte & Touche LLP shall have furnished to the Representative a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representative;

(g) Except as set forth in or contemplated by the Prospectus, (i) since the respective dates as of which information is given in the Prospectus there shall not have been (A) any Material Adverse Change, (B) any transaction entered into by the Company or any subsidiary thereof which is material to the Company and its subsidiaries as a whole other than transactions in the ordinary course of business, or (C) any change in the capital stock or long-term debt of the Company or any of its subsidiaries (except for shares of common stock issued under the Company's Dividend-Reinvestment and Stock Purchase Plan and employee stock plans and except for scheduled maturities of long-term debt) and (ii) neither the Company nor any of its subsidiaries shall have any contingent obligation which is material to the Company and its subsidiaries as a whole, the effect of which, in the case of any such event specified in clauses (i) or (ii) above, is in the judgment of the Representative so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or delivery of the Shares on the terms and in the manner contemplated in this Agreement or in the Prospectus;

(h) On or after the date hereof (i) no downgrading shall have occurred in the rating accorded the Company's debt securities or preferred stock by any "nationally recognized statistical rating organization", as such term is defined by the Commission for purposes of Rule 436(g)(2) under the Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities or preferred stock;

(i) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or on the Pacific Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on any securities exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; or (iv) the outbreak of hostilities or the escalation of existing hostilities involving the United States or the declaration by the United States of a national emergency or war, or the occurrence of any other national or international calamity or crises, including without limitation, acts of terrorism, or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in this clause (iv) in the judgment of the Representative, makes it impracticable or inadvisable to proceed with the public offering or delivery of the Shares on the terms and in the manner contemplated in the Prospectus;

(j) The Shares shall have been duly listed, subject to notice of issuance, on the NYSE and the PSE;

(k) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses; and

(l) The Company shall have furnished or caused to be furnished to the Representative at the Time of Delivery certificates of officers of the Company satisfactory to the Representative as to the accuracy of the representations and warranties of the Company herein at and as of the Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in subsections (a) and (h) of this Section and as to such other matters as the Representative may reasonably request.

8. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission

to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; PROVIDED, HOWEVER, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representative expressly for use therein and PROVIDED, FURTHER, that the Company shall not be liable to any Underwriter under this subsection in respect of any such loss, claim, damage or liability arising out of or based upon an untrue statement or alleged untrue statement in, or an omission or alleged omission from, any preliminary prospectus if (i) such Underwriter sold securities to a person to whom it delivered a copy of such preliminary prospectus, (ii) no copy of the Prospectus was delivered to such person with or prior to the written confirmation of the sale involved, (iii) the Company had previously furnished copies of the Prospectus in sufficient quantities and sufficiently in advance of the Time of Delivery to allow for the distribution thereof prior to the Time of Delivery and (iv) the defect in such preliminary prospectus was corrected in the Prospectus;

(b) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any preliminary prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representative expressly for use therein; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred;

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other

indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the foregoing, in any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The indemnifying party shall not, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. The indemnified party shall not, without the written consent of the indemnifying party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any such pending or threatened action or claim;

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus.

The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by PRO RATA allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall, except as limited by subsection (c) above, be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint;

(e) The obligations of the Company under this Section 8 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act;

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, the Representative may in its discretion arrange for itself or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Representative does not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties reasonably satisfactory to the Representative to purchase such Shares on such terms. In the event that, within the respective prescribed periods, the Representative notifies the Company that it has so arranged for the purchase of such Shares, or the Company notifies the Representative that it has so arranged for the purchase of such Shares, the Representative or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and

the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which, in the reasonable judgment of the Representative, may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section 9 with like effect as if such person had originally been a party to this Agreement with respect to such Shares;

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the Representative and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-tenth of the aggregate number of all the Shares to be purchased at the Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at the Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its PRO RATA share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default;

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the Representative and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-tenth of the aggregate number of all the Shares to be purchased at the Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if this Agreement is not consummated for any other reason, the Company will reimburse the Underwriters through the Representative for all out-of-pocket expenses approved in writing by the Representative, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the

Company shall then be under no further liability to any Underwriter except as provided in Sections 6 and 8 hereof.

12. In all dealings hereunder, the Representative shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by such Representative.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Representative at \_\_\_\_\_, Attention: \_\_\_\_\_ (with a copy to the General Counsel at the same address); and if to the Company shall be delivered or sent by mail to the address of the Company set forth in the Registration Statement, Attention: Treasurer; Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

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If the foregoing is in accordance with your understanding, please sign and return to us [8] counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this Agreement and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company. It is understood that the acceptance by you of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in the Agreement Among Underwriters, a copy of which shall be submitted to the Company for examination, but without warranty on the part of the Representative as to the authority of the signers thereof (other than the Representative).

Very truly yours,

AVISTA CORPORATION

By:

-----

Name: Malyn K. Malquist  
Title: Senior Vice President, Chief Financial Officer and Treasurer

Accepted as of the date hereof:

- -----

By:

-----

Name:  
Title:

On behalf of each of the Underwriters

SCHEDULE I

UNDERWRITER	NUMBER OF SHARES TO BE PURCHASED
-----	-----
.....	.....
.....	.....
Total.....	=====

EXHIBIT A  
CONTENTS OF OPINIONS OF COUNSEL

## AVISTA CORPORATION

SENIOR NOTES, \_\_\_\_\_% SERIES DUE \_\_\_\_\_

-----  
UNDERWRITING AGREEMENT

\_\_\_\_\_, 200\_

[Underwriters  
Representative]

Ladies and Gentlemen:

Avista Corporation, a Washington corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (collectively, the "Underwriters") for whom you are acting as representative (in such capacity you shall hereinafter be referred to as the "Representative") an aggregate of \$\_\_\_\_\_ principal amount of the Senior Notes, \_\_\_\_\_% Series due \_\_\_\_ (the "Securities"), as set forth in Schedule I hereto. The Securities are to be issued as an additional series of notes under the Indenture, dated as of April 1, 1998, between the Company and JPMorgan Chase Bank (formerly, The Chase Manhattan Bank), as trustee (the "Trustee"), as it will be supplemented by an Officer's Certificate dated \_\_\_\_\_, 200\_ (the "Officer's Certificate"). Such Indenture, as so supplemented and as it may be amended and further supplemented being hereinafter called the "Indenture".

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) (i) A registration statement on Form S-3 (File No. 333-64652) in respect of the Securities and certain other securities has been prepared and filed in accordance with the provisions of the Securities Act of 1933, as amended (the "Act"), with the Securities and Exchange Commission (the "Commission"); such registration statement has been declared effective by the Commission, and no other document with respect to the registration statement or documents incorporated by reference therein has heretofore been filed or transmitted for filing with the Commission (other than prospectuses filed pursuant to Rule 424(b) of the rules and regulations of the Commission under the Act, each in the form heretofore delivered to the Underwriters). Such registration statement, in the form in which it became effective and (including the exhibits thereto, but excluding the Statements of Eligibility in Form T-1) is hereinafter called the "Registration Statement"; and the prospectus relating to the Securities, in the form in which it was included in the Registration Statement at the time it became

effective, as supplemented by the prospectus supplement containing the terms of the Securities and the terms of the offering thereof, in the form in which it is filed with the Commission pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus";

(ii) Pursuant to Rule 429 under the Act, the Prospectus will be used as a combined prospectus relating to the Registration Statement and to (a) the registration statement filed by the Company with the Commission on July 2, 1999 (registration no. 333-82165) which, as subsequently amended, became effective on August 17, 1999 and (b) the registration statement filed by the Company with the Commission on June 25, 2003 (registration no. 333-106491) which, as subsequently amended, became effective on August 20, 2003; unless the context otherwise requires, all references in this Agreement to the Registration Statement shall be deemed to include such prior registration statements;

(iii) Any reference herein to the Registration Statement or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the effective date or the date thereof, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any reference to any amendment or supplement to the Prospectus shall be deemed to refer to and include any documents filed after the date of such Prospectus, under the Exchange Act and incorporated by reference in such Prospectus.

(b) No stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Company, threatened by the Commission; and no order preventing or suspending the use of any preliminary prospectus or the Prospectus has been issued by the Commission;

(c) The Registration Statement, when it became effective, conformed, and any further amendments thereto, when they become effective, will conform, in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the Prospectus and any amendments or supplements thereto, when filed with the Commission, will conform in all material respects to the requirements of the Act and the Trust Indenture Act;

(d) The Registration Statement, when it became effective, and any further amendments thereto when they become effective, did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not

misleading; and the Prospectus and any amendments and supplements thereto, when they are filed or transmitted for filing with the Commission and at the Time of Delivery, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties contained in this subsection (d) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished in writing by an Underwriter through the Representative expressly for use in the Registration Statement, the Prospectus or any amendment or supplement to either thereof;

(e) The documents incorporated by reference in the Prospectus, when they were filed with the Commission, and any further documents so filed and incorporated by reference, when they are filed with the Commission or become effective, as the case may be, (i) conformed and will conform in all material respects to the requirements of the Exchange Act or the Act, as the case may be, and the rules and regulations of the Commission thereunder and (ii) did not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(f) Except as set forth in or contemplated by the Prospectus, (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been (A) any material adverse change in or affecting the business, financial condition, shareholders' equity or results of operations of the Company and its subsidiaries, considered as a whole, or any development reasonably expected to result in such a material adverse change (in each case, a "Material Adverse Change"), (B) any transaction entered into by the Company or any subsidiary thereof which is material to the Company and its subsidiaries as a whole other than transactions in the ordinary course of business, and (C) any change in the capital stock or long-term debt of the Company or any of its subsidiaries (except for shares of common stock issued under the Company's Dividend-Reinvestment and Stock Purchase Plan and employee stock plans and except for scheduled maturities of long-term debt) and (ii) neither the Company nor any of its subsidiaries has any contingent obligation which is material to the Company and its subsidiaries as a whole;

(g) The Company has been duly incorporated and is validly existing in good standing as a corporation under the laws of the State of Washington, is duly qualified to do business and in good standing as a foreign corporation under the laws of the States of California, Idaho, Montana and Oregon, and has corporate and other power and authority and has all material required approvals and authorizations to own, lease and operate its properties, and to transact an electric and/or gas public utility business in such jurisdictions;

(h) Each of Avista Capital, Inc., Avista Energy, Inc. and Avista Advantage, Inc. is duly incorporated and validly existing in good standing under the laws of the State of Washington;

(i) All of the issued shares of capital stock of Avista Capital, Avista Energy and Avista Advantage have been duly and validly authorized and issued, are fully paid and non-assessable; \_\_\_\_\_ shares of Avista Capital's capital stock are issued and outstanding and the Company is the record holder of \_\_\_\_\_ shares of such capital stock; \_\_\_\_\_ shares of Avista Energy's capital stock are issued and outstanding and Avista Capital is the record holder of \_\_\_\_\_ shares of such capital stock; and \_\_\_\_\_ shares of Avista Advantage's capital stock are issued and outstanding (excluding \_\_\_\_\_ shares of convertible preferred stock which is held by unrelated parties) and Avista Capital is the record holder of \_\_\_\_\_ shares of such capital stock and the ownership interests of Avista Capital, Avista Energy and Avista Advantage that are owned directly or indirectly by the Company are owned free and clear of all liens, encumbrances, equities or claims;

(j) The Securities have been duly authorized by all necessary corporate action on the part of the Company, and have been duly executed by the Company and, when duly authenticated and delivered by the Trustee under the Indenture, and issued, delivered and paid for in accordance with this Agreement, will be duly issued and delivered by the Company and will constitute valid and binding obligations of the Company, entitled to the benefits provided by the Indenture and enforceable against the Company in accordance with their terms, subject, as to enforcement, (i) to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws of general applicability relating to or affecting creditors' rights, and (ii) by general principles of equity, whether such enforceability is considered a proceeding in equity or at law, and by rules of law governing specific performance, injunction relief, foreclosure, receivership and other equitable remedies (the "Enforceability Exceptions"), and are entitled to the benefits provided by the Indenture; the Securities will be substantially in the form previously delivered to the Representative; and the Securities will conform in all material respects to the description thereof contained in the Prospectus;

(k) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable;

(l) The Indenture has been duly authorized, executed and delivered, and constitutes a valid and legally binding instrument, enforceable in accordance with its terms, subject as to enforcement, to the Enforceability Exceptions; the Indenture has been duly qualified under the Trust Indenture Act; and the Indenture will conform in all material respects to the description thereof contained in the Prospectus;

(m) The issue and sale of the Securities and the compliance by the Company with all of the provisions of the Securities, the Indenture and this

Agreement and the consummation by the Company of the transactions herein and therein contemplated will not (i) violate the Company's Restated Articles of Incorporation, as amended, or By-laws or (ii) result in a breach or violation of any of the terms or provisions of, or constitute a default under, (A) any statute or, to the knowledge of the Company, any order, rule or regulation of any court or any federal or state regulatory authority or other governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (B) any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, which breach, violation or default referred to in this clause (ii) would individually, or in the aggregate, have, or would be reasonably expected to have, a material adverse effect on the business, financial condition, shareholders' equity or results of operations of the Company and its subsidiaries considered as a whole (in each case, a "Material Adverse Effect"); and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities or the consummation by the Company of the transactions contemplated by this Agreement or the Indenture, except the registration under the Act of the Securities and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters, and such consents, approvals, authorizations, filings or registrations as may be required by the Washington Utilities and Transportation Commission (the "WUTC"), the California Public Utilities Commission (the "CPUC"), the Idaho Public Utilities Commission (the "IPUC"), the Public Service Commission of the State of Montana (the "MPSC") and the Public Utility Commission of Oregon (the "OPUC"), in each case in the manner contemplated hereby;

(n) None of the Company, Avista Capital, Inc., Avista Energy, Inc. and Avista Advantage, Inc. is currently in violation of its Restated Articles of Incorporation or By-laws, or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any material indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except for the performance or observance of any such obligation, agreement, covenant or condition that has been waived in accordance with the applicable agreement;

(o) Other than as set forth in the Prospectus, neither the Company nor any of its subsidiaries (i) is in violation of any statute, or any rule, regulation, decision or order of any governmental agency or body or any court relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environmental or human exposure to hazardous or toxic substances (collectively, "environmental laws"), (ii) does not own or operate any real property which to its knowledge is contaminated with any substance that

is subject to any environmental laws, (iii) is not to its knowledge liable for any off-site disposal or contamination pursuant to any environmental laws, and (iv) is not subject to any claim relating to any environmental laws and the Company is not aware of any pending investigation which could reasonably be expected to lead to such a claim, which, in the case of (i), (ii), (iii), or (iv), would reasonably be expected to result in a Material Adverse Effect;

(p) The statements set forth in the Prospectus under the captions ["Description of the Offered Bonds"] and ["Description of the Bonds"], insofar as they purport to constitute a summary of the terms of the Securities, and under the captions "Underwriting" and "Plan of Distribution", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate and fairly present the information purported to be given;

(q) Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject, which, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(r) The Company is not, and, after giving effect to the offering and sale of the Securities, will not be an "investment company", as such term is defined in the United States Investment Company Act of 1940, as amended (the "Investment Company Act");

(s) The Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act; and

(t) Deloitte & Touche LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, severally and not jointly, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price of \_\_\_\_\_% of the principal amount thereof, plus accrued interest, if any, from \_\_\_\_\_, 200\_ to the Time of Delivery hereunder, the principal amount of the securities set forth opposite the name of such Underwriter in Schedule I hereto.

3. Upon the authorization by the Representative of the release of the Securities, the several Underwriters propose to offer the Securities for sale upon the terms and conditions set forth in this Agreement and the Prospectus.

4. (a) The Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global Securities in book-entry form to be

deposited with The Depository Trust Company ("DTC") or its designated custodian. The Company will deliver the global Securities to DTC or such custodian to be credited to the account of the Representative, for the account of each Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefore by wire transfer of Federal (same day) funds. The Company will cause the certificates representing the Securities to be made available to the Representative for checking at least twenty-four hours prior to the Time of Delivery (as defined below) at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be \_\_\_\_\_, New York City time, on \_\_\_\_\_, 200\_ or such other time and date as the Representative and the Company may agree upon in writing. Such time and date are herein called the "Time of Delivery";

(b) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 7(k) hereof, will be delivered at the offices of Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, New York 10019 (the "Closing Location"), and the Securities will be delivered at the Designated Office, all at the Time of Delivery. A meeting will be held at the Closing Location at \_\_\_\_\_, New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Agreement, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday, which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by the Representative and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement; to make no further amendment or any supplement to the Registration Statement or Prospectus prior to the last Time of Delivery which shall be reasonably disapproved by the Representative promptly after reasonable notice thereof; to advise the Representative, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish the Representative with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Securities; to advise the Representative, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of

any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any prospectus or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as the Representative may reasonably request to qualify the Securities for offering and sale under the securities laws of such jurisdictions as the Representative may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) Prior to \_\_\_\_\_, New York City time, on the New York business day succeeding the date of this Agreement, or as soon thereafter as may be reasonably practicable, to furnish the Underwriters with written and electronic copies of the Prospectus in such quantities as the Representative may from time to time reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Securities and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act, the Exchange Act or the Trust Indenture Act, to notify the Representative and upon their reasonable request to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many written and electronic copies as the Representative may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Securities at any time nine months or more after the time of issue of the Prospectus, upon their request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as such Underwriter may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be

audited) covering a period of at least 12 months beginning after the later of (i) the effective date of the most recent post-effective amendment to the Registration Statement to become effective prior to the date of this Agreement and (ii) the date of the Company's most recent Annual Report on Form 10-K filed with the Commission prior to the date of this Agreement, which will satisfy the provisions of Section 11(a) of the Act and the rules and regulations thereunder including Rule 158;

(e) During the period beginning from the date hereof and continuing to and including the later of (i) the completion of the distribution of the Securities, as shall be promptly notified to the Company by the Representative upon such completion, but in no event shall such period exceed [90] days from the Time of Delivery, and (ii) the Time of Delivery, not to offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any debt securities of the Company that are substantially similar to the Securities, without the prior written consent of the Representative (it being understood that this paragraph shall not prohibit the issuance of commercial paper or other debt securities with scheduled maturities of less than one year, debt securities issued in connection with any credit facility, or debt securities issued as collateral for other obligations);

(f) To use the net proceeds received by it from the sale of the Securities pursuant to this Agreement in the manner specified in the Prospectus under the caption "Use of Proceeds";

6. The Company hereby covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Securities under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any preliminary prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among Underwriters, this Agreement, the Officer's Certificate under the Indenture, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) any expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey, if any; (iv) any fees charged by securities rating services for rating the Securities; (v) any filing fees incident to, and the fees and disbursements of counsel for the Underwriters in connection with any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Securities; (vi) the cost of preparing the Securities; (vii) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with any officer's certificate under the Indenture and the Securities; and (viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this

Section, and Sections 8 and 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, transfer taxes on resale of any of the Securities by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters hereunder shall be subject, in the discretion of the Representative, to the condition that all representations and warranties and other statements of the Company herein are, at and as of the Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representative;

(b) There shall have been issued and there shall be in full force and effect, (i) appropriate orders of the WUTC, the IPUC and the OPUC permitting the issuance and sale of the Securities on the terms herein set forth or contemplated, and containing no provision reasonably unacceptable to the Representatives, it being understood that no such order in effect on the date of this Agreement contains any such unacceptable provision, and (ii) appropriate exemptive orders of the MPSC and the CPUC;

(c) Sullivan & Cromwell LLP, counsel for the Underwriters, shall have furnished to the Representative such written opinion or opinions, dated the Time of Delivery, with respect to the incorporation of the Company, the Indenture, the Securities, the Registration Statement and the Prospectus, as well as such other related matters as the Representative may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters. In rendering such opinion or opinions, Sullivan & Cromwell LLP may rely, as to the incorporation of the Company and as to all other matters governed by Washington, California, Idaho, Montana or Oregon law, upon the opinion of Heller Ehrman White & McAuliffe LLP referred to below;

(d) David J. Meyer, Vice President and Chief Counsel for Regulatory and Governmental Affairs to the Company, shall have furnished to the Representative his written opinion or opinions, dated the Time of Delivery, to the effect set forth in Exhibit A hereto;

(e) At the Time of Delivery, Heller Ehrman White & McAuliffe LLP and Dewey Ballantine LLP shall have furnished to the Representative opinions, each dated as of the Time of Delivery, to the effect set forth in Exhibit A hereto;

(f) On the date of the Prospectus at a time prior to the execution of this Agreement and at the Time of Delivery, Deloitte & Touche LLP shall have furnished to the Representative a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representative;

(g) Except as set forth in or contemplated by the Prospectus, (i) since the respective dates as of which information is given in the Prospectus there shall not have been (A) any Material Adverse Change, (B) any transaction entered into by the Company or any subsidiary thereof which is material to the Company and its subsidiaries as a whole other than transactions in the ordinary course of business, or (C) any change in the capital stock or long-term debt of the Company or any of its subsidiaries (except for shares of common stock issued under the Company's Dividend-Reinvestment and Stock Purchase Plan and employee stock plans and except for scheduled maturities of long-term debt) and (ii) neither the Company nor any of its subsidiaries shall have any contingent obligation which is material to the Company and its subsidiaries as a whole, the effect of which, in the case of any such event specified in clauses (i) or (ii) above, is in the judgment of the Representative so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or delivery of the Securities on the terms and in the manner contemplated in this Agreement or in the Prospectus;

(h) On or after the date hereof (i) no downgrading shall have occurred in the rating accorded the Company's debt securities or preferred stock by any "nationally recognized statistical rating organization", as such term is defined by the Commission for purposes of Rule 436(g)(2) under the Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities or preferred stock;

(i) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or on the Pacific Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on any securities exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; or (iv) the outbreak of hostilities or the escalation of existing hostilities involving the United States or the declaration by the United States of a national emergency or war, or the occurrence of any other national or international calamity or crises, including without limitation, acts of terrorism, or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in this clause (iv) in the judgment of the Representative, makes it

impracticable or inadvisable to proceed with the public offering or delivery of the Securities on the terms and in the manner contemplated in the Prospectus;

(j) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses; and

(k) The Company shall have furnished or caused to be furnished to the Representative at the Time of Delivery certificates of officers of the Company satisfactory to the Representative as to the accuracy of the representations and warranties of the Company herein at and as of the Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in subsections (a) and (h) of this Section and as to such other matters as the Representative may reasonably request.

8. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; PROVIDED, HOWEVER, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representative expressly for use therein and PROVIDED, FURTHER, that the Company shall not be liable to any Underwriter under this subsection in respect of any such loss, claim, damage or liability arising out of or based upon an untrue statement or alleged untrue statement in, or an omission or alleged omission from, any preliminary prospectus if (i) such Underwriter sold securities to a person to whom it delivered a copy of such preliminary prospectus, (ii) no copy of the Prospectus was delivered to such person with or prior to the written confirmation of the sale involved, (iii) the Company had previously furnished copies of the Prospectus in sufficient quantities and sufficiently in advance of the Time of Delivery to allow for the distribution thereof prior to the Time of Delivery and (iv) the defect in such preliminary prospectus was corrected in the Prospectus;

(b) Each Underwriter will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or

alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any preliminary prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representative expressly for use therein; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred;

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the foregoing, in any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The indemnifying party shall not, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. The indemnified party shall not, without the written consent of the indemnifying party, effect the settlement or compromise of, or

consent to the entry of any judgment with respect to, any such pending or threatened action or claim;

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by PRO RATA allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall, except as limited by subsection (c) above, be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint;

(e) The obligations of the Company under this Section 8 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act;

9. (a) If any Underwriter shall default in its obligation to purchase the Securities which it has agreed to purchase hereunder at a Time of Delivery, the Representative may in its discretion arrange for itself or another party or other parties to purchase such Securities on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Representative does not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties reasonably satisfactory to the Representative to purchase such Securities on such terms. In the event that, within the respective prescribed periods, the Representative notifies the Company that it has so arranged for the purchase of such Securities, or the Company notifies the Representative that it has so arranged for the purchase of such Securities, the Representative or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which, in the reasonable judgment of the Representative, may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section 9 with like effect as if such person had originally been a party to this Agreement with respect to such Securities;

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representative and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased does not exceed one-tenth of the aggregate principal amount of all the Securities to be purchased at the Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Securities which such Underwriter agreed to purchase hereunder at the Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its PRO RATA share (based on the principal amount of Securities which such Underwriter agreed to purchase hereunder) of the Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default;

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representative and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased exceeds one-tenth of the aggregate principal amount of all the Securities to be purchased at the Time of Delivery, or if the Company

shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Securities of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Securities.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if this Agreement is not consummated for any other reason, the Company will reimburse the Underwriters through the Representative for all out-of-pocket expenses approved in writing by the Representative, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities not so delivered, but the Company shall then be under no further liability to any Underwriter except as provided in Sections 6 and 8 hereof.

12. In all dealings hereunder, the Representative shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by such Representative.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Representative at \_\_\_\_\_, Attention: \_\_\_\_\_ (with a copy to the General Counsel at the same address); and if to the Company shall be delivered or sent by mail to the address of the Company set forth in the Registration Statement, Attention: Treasurer; Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement.

15. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

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If the foregoing is in accordance with your understanding, please sign and return to us [8] counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this Agreement and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company. It is understood that the acceptance by you of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in the Agreement Among Underwriters, a copy of which shall be submitted to the Company for examination, but without warranty on the part of the Representative as to the authority of the signers thereof (other than the Representative).

Very truly yours,

AVISTA CORPORATION

By:

-----

Name: Malyn K. Malquist

Title: Senior Vice President, Chief Financial Officer and Treasurer

Accepted as of the date hereof:

- -----

By:

-----

Name:

Title:

On behalf of each of the Underwriters

SCHEDULE I

UNDERWRITER	PRINCIPAL AMOUNT OF SECURITIES TO BE PURCHASED
-----	-----
.....	\$
.....	
Total.....	=====
	\$

EXHIBIT A  
CONTENTS OF OPINIONS OF COUNSEL

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AVISTA CORPORATION

TO

CITIBANK, N.A.

AS SUCCESSOR TRUSTEE UNDER  
MORTGAGE AND DEED OF TRUST,  
DATED AS OF JUNE 1, 1939

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\_\_\_\_\_ SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR A SERIES OF BONDS DESIGNATED  
"FIRST MORTGAGE BONDS, \_\_\_\_\_% SERIES DUE \_\_\_\_\_"

DUE \_\_\_\_\_, \_\_\_\_\_

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Dated as of \_\_\_\_\_, 200\_

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\_\_\_\_\_ SUPPLEMENTAL INDENTURE

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

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

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

WHEREAS the Company has heretofore executed and delivered, in addition to the Original Mortgage, the indentures supplemental thereto, and has issued the series of bonds, set forth in Exhibit A hereto (the Mortgage, as supplemented and amended by the First through \_\_\_\_\_ Supplemental Indentures

being herein sometimes called collectively, the "Mortgage");and

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

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

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

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

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

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

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

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

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

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

confirms the grant, bargain, sale, release, conveyance, assignment, transfer, mortgage, pledge, setting over and confirmation unto the Trustee, contained in the Mortgage, of all the following described properties of the Company, whether now owned or hereafter acquired, namely:

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

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

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

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

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

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

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

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

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

ARTICLE I

\_\_\_\_\_ SERIES OF BONDS

SECTION 1. (I) There shall be a series of bonds designated "First Mortgage Bonds, \_\_\_\_\_% Series due \_\_\_\_" (herein sometimes referred to as the "bonds of the \_\_\_\_\_ Series" or the "Bonds"), and the form thereof, which has been established by Resolution of the Board of Directors of the Company, is set forth on Exhibit D hereto. The bonds of the \_\_\_\_\_ Series shall be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, any amount in excess thereof (the exercise of such option to be evidenced by the execution and delivery thereof) and shall be dated as in Section 10 of the Mortgage provided.

(II) The bonds of the \_\_\_\_\_ Series shall mature, shall bear interest and shall be payable as set forth below:

(a) the principal of bonds of the \_\_\_\_\_ Series shall (unless theretofore paid) be payable on the Stated Maturity Date (as hereinafter defined);

(b) the bonds of the \_\_\_\_\_ Series shall bear interest at the rate of \_\_\_\_\_ per centum (\_\_\_\_%) per annum; interest on such bonds shall accrue from and including the date of the initial authentication and delivery thereof, except as otherwise provided in the form of bond attached hereto as Exhibit D; interest on such bonds shall be payable on each Interest Payment Date and at Maturity (as each of such terms is hereafter defined); and interest on such bonds during any period for which payment is made shall be computed on the basis of a 360-day year consisting of twelve 30-days months;

(c) the principal of and premium, if any, and interest on each bond of the \_\_\_\_\_ Series payable at Maturity shall be payable upon presentation thereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency as at the time of payment is legal tender for public and private debts. The interest on each bond of the \_\_\_\_\_ Series (other than interest payable at Maturity) shall be payable by check, in similar coin or currency, mailed to the registered owner thereof as of the close of business on the Record Date next preceding each Interest Payment Date; provided, however, that if such registered owner shall be a securities depository, such payment may be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such registered owner.

(III) [Redemption provisions, if any]

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

The bonds of the \_\_\_\_\_ Series shall be transferable, upon the surrender thereof for cancellation, together with a written instrument of transfer in form approved by the

registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

Upon any exchange or transfer of bonds of the \_\_\_\_\_ Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto or any exchange or transfer of bonds of the \_\_\_\_\_ Series; provided, however, that the Company shall not be required to make any transfer or exchange of any bonds of the \_\_\_\_\_ Series for a period of 10 days next preceding any selection of such bonds for redemption, nor shall it be required to make transfers or exchange of any bonds of the \_\_\_\_\_ Series which shall have been selected for redemption in whole or in part or as to which the Company shall have received a notice for the redemption thereof in whole or in part at the option of the registered owner.

(b) The bonds of the \_\_\_\_\_ Series are initially to be issued in global form, registered in the name of Cede & Co., as nominee for The Depository Trust Company (the "Depository"). Notwithstanding the provisions of subdivision (a) above, such bonds shall not be transferable, nor shall any purported transfer be registered, except as follows:

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

(ii) such bonds may be transferred in whole, and appropriate registration of transfer effected, to the beneficial holders thereof, and thereafter shall be transferable, if:

(A) The Depository, or any successor securities depository, shall have notified the Company and the Trustee that (I) it is unwilling or unable to continue to act as securities depository with respect to such bonds or (II) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the identity of a successor securities depository with respect to such bonds; or

(B) the Company shall have delivered to the Trustee a written order to the effect that such bonds shall be so transferable on and after a date specified therein.

The bonds of the \_\_\_\_\_ Series, when in global form, shall bear a legend as to such global form and the foregoing restrictions on transfer substantially as set forth below:

This global bond is held by Cede & Co., as nominee for The Depository Trust Company (the "Depository") for the benefit of the beneficial owners hereof. This bond may not be transferred, nor may any purported transfer

be registered, except that (i) this bond may be transferred in whole, and appropriate registration of transfer effected, if such transfer is by Cede & Co., as nominee for the Depositary, to the Depositary, or by the Depositary to another nominee thereof, or by any nominee of the Depositary to any other nominee thereof, or by the Depositary or any nominee thereof to any successor bonds depositary or any nominee thereof; and (ii) this bond may be transferred, and appropriate registration of transfer effected, to the beneficial holders hereof, and thereafter shall be transferable without restrictions (except as provided in the preceding paragraph) if: (A) the Depositary, or any successor securities depositary, shall have notified the Company and the Trustee that (I) it is unwilling or unable to continue to act as securities depositary with respect to the bonds or (II) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the identity of a successor securities depositary with respect to the bonds; or (B) the Company shall have delivered to the Trustee a written order to the effect that the bonds shall be so transferable on and after a date specified therein.

(V) For all purposes of this \_\_\_\_\_ Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires, the terms and with respect to the bonds of the \_\_\_\_\_ Series listed below shall have the meanings specified:

"INTEREST PAYMENT DATE" means \_\_\_\_\_ and \_\_\_\_\_ in each year, commencing \_\_\_\_\_, \_\_\_\_.

"MATURITY" means the date on which the principal of the bonds of the \_\_\_\_\_ Series becomes due and payable, whether at the Stated Maturity Date, upon redemption or acceleration, or otherwise.

"RECORD DATE", with respect to any Interest Payment Date, means the \_\_\_\_\_ or \_\_\_\_\_, as the case may be, next preceding such Interest Payment Date.

"STATED MATURITY DATE" means \_\_\_\_\_, \_\_\_\_.

(VI) Notwithstanding the provisions of Section 106 of the Original Mortgage, the Company shall not cause any bonds of the \_\_\_\_\_ Series, or any portion of the principal amount thereof, to be deemed to have been paid as provided in such Section and its obligations in respect thereof to be deemed to be satisfied and discharged prior to the Maturity thereof unless the Company shall deliver to the Trustee either:

(a) an instrument wherein the Company, notwithstanding the effect of Section 106 of the Original Mortgage in respect of such bonds, shall assume the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee such additional sums of money, if any, or additional government obligations (meeting the requirements of Section 106), if any, or any combination thereof, at such

time or times, as shall be necessary, together with the money and/or government obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such bonds or portions thereof, all in accordance with and subject to the provisions of Section 106; provided, however, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent accountant showing the calculation thereof (which opinion shall be obtained at the expense of the Company); or

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

(VII) The bonds of the \_\_\_\_\_ Series shall have such further terms as are set forth in Exhibit D hereto. If there shall be a conflict between the terms of the form of bond and the provisions of the Mortgage, the provisions of the Mortgage shall control to the extent permitted by law.

(VIII) [Provisions as to title insurance, if any]

(IX) Upon the delivery of this \_\_\_\_\_ Supplemental Indenture, bonds of the \_\_\_\_\_ Series in an aggregate principal amount initially not to exceed \$\_\_\_\_\_ are to be issued and will be Outstanding, in addition to \$\_\_\_\_\_ aggregate principal amount of bonds of prior series Outstanding at the date of delivery of this \_\_\_\_\_ Supplemental Indenture.

## ARTICLE II

### PROSPECTIVE AMENDMENT

SECTION 1. The owners of the bonds of the \_\_\_\_\_ Series shall be deemed to have consented to the amendment of Section 28 of the Original Mortgage to add at the end thereof a new paragraph reading as follows:

Notwithstanding the foregoing, any Opinion of Counsel delivered pursuant to subdivision (7) of this Section 28, or pursuant to any other provision of this Indenture by reference to this Section 28, may, at the election of the Company, omit any or all of the statements contained in clause (a) of subdivision (7) if there shall have been delivered to the Trustee a policy of title insurance (or endorsement thereto) issued by a nationally recognized title insurance company, in an amount not less than twenty-eight percent (28%)(1) of the cost or fair

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(1) The owners of the bonds of the \_\_\_\_\_ series shall be deemed to have consented to the amendment contained in this Section 1 of Article II, either with the percentage shown above or with any higher percentage.

value to the Company (whichever is less) of the Property Additions made the basis of such application, insuring, in customary terms, against risk of loss sustained or incurred by the Trustee by reason of any circumstances or conditions by virtue of which the statements omitted from clause (a) of such Opinion of Counsel would not have been accurate if made.

### ARTICLE III

#### MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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

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

AVISTA CORPORATION

By \_\_\_\_\_  
Vice President

Attest:  
-----  
Corporate Secretary

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

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CITIBANK, N.A., AS TRUSTEE

By \_\_\_\_\_

Attest:

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

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

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

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

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

-----  
Notary Public

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

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

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

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

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Notary Public

## EXHIBIT A

MORTGAGE, SUPPLEMENTAL INDENTURES  
AND SERIES OF BONDS

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

Thirty-First	May 1, 2003	29	Collateral Series due 2004	245,000,000	245,000,000
Thirty-Second	September 1, 2003	30	6.125% Series due 2013	45,000,000	45,000,000

EXHIBIT B

FILING AND RECORDING OF  
SUPPLEMENTAL INDENTURE

FILING IN STATE OFFICES

STATE	OFFICE OF	DATE	FINANCING STATEMENT DOCUMENT NUMBER
Washington	Secretary of State		
Idaho	Secretary of State		
Montana	Secretary of State		
Oregon	Secretary of State		
California	Secretary of State		

RECORDING IN COUNTY OFFICES

COUNTY	OFFICE OF	REAL ESTATE MORTGAGE RECORDS			FINANCING STATEMENT DOCUMENT NUMBER	
		DATE	DOCUMENT NUMBER	BOOK		PAGE
WASHINGTON				N/A	N/A	N/A
Adams	Auditor					
Asotin	Auditor			N/A	N/A	N/A
Benton	Auditor			N/A	N/A	N/A
Douglas	Auditor			N/A	N/A	N/A
Ferry	Auditor			N/A	N/A	N/A
Franklin	Auditor			N/A	N/A	N/A
Garfield	Auditor			N/A	N/A	N/A
Grant	Auditor			N/A	N/A	N/A
Klickitat	Auditor			N/A	N/A	N/A
Lewis	Auditor			N/A	N/A	N/A
Lincoln	Auditor					N/A
Pend Oreille	Auditor			N/A	N/A	N/A
Skamania	Auditor					N/A
Spokane	Auditor			N/A	N/A	N/A
Stevens	Auditor					N/A
Thurston	Auditor			N/A	N/A	N/A
Whitman	Auditor			N/A	N/A	N/A
CALIFORNIA						
El Dorado	Recorder			N/A	N/A	N/A

IDAHO				
Benewah	Recorder	N/A	N/A	N/A
Bonner	Recorder	N/A	N/A	N/A
Boundary	Recorder	N/A	N/A	N/A
Clearwater	Recorder	N/A	N/A	N/A
Idaho	Recorder	N/A	N/A	N/A
Kootenai	Recorder	N/A	N/A	N/A
Latah	Recorder	N/A	N/A	N/A
Lewis	Recorder	N/A	N/A	N/A
Nez Perce	Recorder	N/A	N/A	N/A
Shoshone	Recorder	N/A	N/A	N/A

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 RECORDING IN COUNTY OFFICES  
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REAL ESTATE MORTGAGE RECORDS

FINANCING  
 STATEMENT  
 DOCUMENT  
 NUMBER

COUNTY	OFFICE OF	DATE	DOCUMENT NUMBER	BOOK	PAGE	
-----						
MONTANA						
Big Horn	Clerk & Recorder					N/A
Broadwater	Clerk & Recorder					N/A
Golden Valley	Clerk & Recorder					N/A
Meagher	Clerk & Recorder					N/A
Mineral	Clerk & Recorder					N/A
Rosebud	Clerk & Recorder					N/A
Sanders	Clerk & Recorder			N/A	N/A	N/A
Stillwater	Clerk & Recorder				N/A	N/A
Treasure	Clerk & Recorder					N/A
Wheatland	Clerk & Recorder					N/A
Yellowstone	Clerk & Recorder			N/A	N/A	N/A
-----						
OREGON						
Douglas	Recorder			N/A	N/A	N/A
Jackson	Recorder			N/A	N/A	N/A
Josephine	Recorder			N/A	N/A	N/A
Klamath	Recorder					N/A
Morrow	Recorder			N/A	N/A	N/A
Union	Recorder			N/A	N/A	N/A
Wallowa	Recorder			N/A	N/A	N/A

PROPERTY ADDITIONS

C-1

(FORM OF BOND)

THIS BOND IS SUBJECT TO RESTRICTIONS ON TRANSFER,  
AS HEREINAFTER SET FORTH

CUSIP \_\_\_\_\_

AVISTA CORPORATION

First Mortgage Bond,  
\_\_\_\_\_% Series due \_\_\_\_\_

REGISTERED

REGISTERED

NO. \_\_\_\_\_

\$ \_\_\_\_\_

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

, or registered assigns, on \_\_\_\_\_,

DOLLARS

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

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

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

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

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

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

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

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

[Redemption provisions, if any]

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

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

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

Dated: AVISTA CORPORATION

By: \_\_\_\_\_

ATTEST: \_\_\_\_\_

TRUSTEE'S CERTIFICATE

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

CITIBANK, N.A.  
Trustee

By

-----

Authorized Officer

D-5

THIS GLOBAL BOND IS HELD BY CEDE & CO., AS NOMINEE FOR THE DEPOSITORY TRUST COMPANY (THE "DEPOSITARY") FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF. THIS BOND MAY NOT BE TRANSFERRED, NOR MAY ANY PURPORTED TRANSFER BE REGISTERED, EXCEPT THAT (I) THIS BOND MAY BE TRANSFERRED IN WHOLE, AND APPROPRIATE REGISTRATION OF TRANSFER EFFECTED, IF SUCH TRANSFER IS BY CEDE & CO., AS NOMINEE FOR THE DEPOSITARY, TO THE DEPOSITARY, OR BY THE DEPOSITARY TO ANOTHER NOMINEE THEREOF, OR BY ANY NOMINEE OF THE DEPOSITARY TO ANY OTHER NOMINEE THEREOF, OR BY THE DEPOSITARY OR ANY NOMINEE THEREOF TO ANY SUCCESSOR BONDS DEPOSITARY OR ANY NOMINEE THEREOF; AND (II) THIS BOND MAY BE TRANSFERRED, AND APPROPRIATE REGISTRATION OF TRANSFER EFFECTED, TO THE BENEFICIAL HOLDERS HEREOF, AND THEREAFTER SHALL BE TRANSFERABLE WITHOUT RESTRICTIONS (EXCEPT AS PROVIDED IN THE PRECEDING PARAGRAPH) IF: (A) THE DEPOSITARY, OR ANY SUCCESSOR SECURITIES DEPOSITARY, SHALL HAVE NOTIFIED THE COMPANY AND THE TRUSTEE THAT (I) IT IS UNWILLING OR UNABLE TO CONTINUE TO ACT AS SECURITIES DEPOSITARY WITH RESPECT TO THE BONDS OR (II) IT IS NO LONGER A CLEARING AGENCY REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND, IN EITHER CASE, THE TRUSTEE SHALL NOT HAVE BEEN NOTIFIED BY THE COMPANY WITHIN ONE HUNDRED TWENTY (120) DAYS OF THE IDENTITY OF A SUCCESSOR SECURITIES DEPOSITARY WITH RESPECT TO THE BONDS; OR (B) THE COMPANY SHALL HAVE DELIVERED TO THE TRUSTEE A WRITTEN ORDER TO THE EFFECT THAT THE BONDS SHALL BE SO TRANSFERABLE ON AND AFTER A DATE SPECIFIED THEREIN.

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

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

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[please print or typewrite name and address of assignee]

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

Dated: -----

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

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AVISTA CORPORATION

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OFFICER'S CERTIFICATE

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

Establishing Series of Securities Designated  
\_\_\_\_\_, Series \_\_\_\_

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AVISTA CORPORATION

OFFICER'S CERTIFICATE  
(Under Section 301 of the Indenture,  
dated as of April 1, 1998)

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

PART I

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

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

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

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

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

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

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

in Spokane, Washington as any such place or itself as the Security Registrar;

(g) [optional redemption provisions, if any, will be inserted here];

(h) [mandatory redemption provisions, if any, will be inserted here];

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

(j) inapplicable;

(k) inapplicable;

(l) inapplicable;

(m) inapplicable;

(n) inapplicable;

(o) [conversion provisions, if any, will be inserted here];

(p) inapplicable;

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

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

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

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

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

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

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

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

(r) inapplicable;

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

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

## PART II

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

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

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

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

opinion shall be obtained at the expense of the Company); or

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

(c) if the Company engages in a conveyance or transfer of property as contemplated in Section 1005 of the Indenture, in addition to the requirements of Section 1005 of the Indenture, the Company will not be released and discharged from all obligations under the Indenture and the Notes unless the Company shall deliver to the Trustee an Opinion of Counsel to the effect that the Holders of such Notes, or portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of conveyance or transfer and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such conveyance or transfer had not been effected;

(d) for so long as the Notes are outstanding, the Company shall not consolidate with or merge into any other Person, or convey or otherwise transfer, or lease, all of its properties, as or substantially as an entirety, as contemplated by Section 1001 of the Indenture, to any Person if such person is organized and existing under the laws of Canada or any Province thereof.

(e) [Additional covenants will be inserted here]

IN WITNESS WHEREOF, I have executed this Officer's Certificate  
this \_\_\_ day of \_\_\_\_\_, 200\_.

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Name:  
Title:



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

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

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

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

[Insert provisions, if any, for redemption at the option of the Company.]

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

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

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

[Insert provisions, if any, for conversion of the Security.]

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

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

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

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

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

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

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

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

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

Act shall be applicable.

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

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

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

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

AVISTA CORPORATION

By: \_\_\_\_\_  
[Title]

CERTIFICATE OF AUTHENTICATION

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

Dated: \_\_\_\_\_

OR

\_\_\_\_\_  
\_\_\_\_\_  
as Trustee

\_\_\_\_\_  
\_\_\_\_\_  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

By: [ \_\_\_\_\_ ],

AS AUTHENTICATING AGENT

By: \_\_\_\_\_  
Authorized Officer

THIS SECURITY MAY NOT BE TRANSFERRED OR EXCHANGED, NOR MAY ANY PURPORTED TRANSFER BE REGISTERED, EXCEPT (I) THIS SECURITY MAY BE TRANSFERRED IN WHOLE, AND APPROPRIATE REGISTRATION OF TRANSFER EFFECTED, IF SUCH TRANSFER IS BY CEDE & CO., AS NOMINEE FOR THE DEPOSITARY TRUST COMPANY (THE "DEPOSITARY"), TO THE DEPOSITARY, OR BY THE DEPOSITARY TO ANOTHER NOMINEE THEREOF, OR BY ANY NOMINEE OF THE DEPOSITARY TO ANY OTHER NOMINEE THEREOF, OR BY THE DEPOSITARY OR ANY NOMINEE THEREOF TO ANY SUCCESSOR SECURITIES DEPOSITARY OR ANY NOMINEE THEREOF; AND (II) THIS SECURITY MAY BE EXCHANGED FOR DEFINITIVE SECURITIES REGISTERED IN THE RESPECTIVE NAMES OF THE BENEFICIAL HOLDERS HEREOF, AND THEREAFTER SHALL BE TRANSFERABLE WITHOUT RESTRICTIONS IF: (A) THE DEPOSITARY, OR ANY SUCCESSOR SECURITIES DEPOSITARY, SHALL HAVE NOTIFIED THE COMPANY AND THE TRUSTEE THAT IT IS UNWILLING OR UNABLE TO CONTINUE TO ACT AS SECURITIES DEPOSITARY WITH RESPECT TO THE SECURITIES AND THE TRUSTEE SHALL NOT HAVE BEEN NOTIFIED BY THE COMPANY WITHIN NINETY (90) DAYS OF THE IDENTITY OF A SUCCESSOR SECURITIES DEPOSITARY WITH RESPECT TO THE SECURITIES; (B) THE COMPANY SHALL HAVE DELIVERED TO THE TRUSTEE A COMPANY ORDER TO THE EFFECT THAT THE SECURITIES SHALL BE SO EXCHANGEABLE ON AND AFTER A DATE SPECIFIED THEREIN; OR (C)(1) AN EVENT OF DEFAULT SHALL HAVE OCCURRED AND BE CONTINUING, (2) THE TRUSTEE SHALL HAVE GIVEN NOTICE OF SUCH EVENT OF DEFAULT PURSUANT TO SECTION 802 OF THE INDENTURE AND (3) THERE SHALL HAVE BEEN DELIVERED TO THE COMPANY AND THE TRUSTEE AN OPINION OF COUNSEL TO THE EFFECT THAT THE INTERESTS OF THE BENEFICIAL OWNERS OF THE SECURITIES IN RESPECT THEREOF WILL BE MATERIALLY IMPAIRED UNLESS SUCH OWNERS BECOME HOLDERS OF DEFINITIVE SECURITIES.

-----

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

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

-----  
[please print or typewrite name and address of assignee]  
-----

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

Dated: \_\_\_\_\_

-----

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

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Pre-Effective Amendment No. 1 to the Registration Statement on Form S-3 of our report dated February 27, 2004, which includes an explanatory paragraph for certain changes in accounting and presentation resulting from the impact of recently adopted accounting standards, appearing in the Annual Report on Form 10-K of Avista Corporation for the year ended December 31, 2003, and to the reference to us under the heading "Experts" in the Prospectus, which is part of this registration statement.

/s/ Deloitte & Touche LLP

Seattle, Washington  
April 22, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM T-1

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

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF  
A TRUSTEE PURSUANT TO SECTION 305(b)(2)

JPMORGAN CHASE BANK  
(Exact name of trustee as specified in its charter)

NEW YORK  
(State of incorporation  
if not a national bank)

13-4994650  
(I.R.S. employer  
identification No.)

270 PARK AVENUE  
NEW YORK, NEW YORK  
(Address of principal executive offices)

10017  
(Zip Code)

WILLIAM H. MCDAVID  
GENERAL COUNSEL  
270 PARK AVENUE  
NEW YORK, NEW YORK 10017  
TEL: (212) 270-2611

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

-----

AVISTA CORPORATION  
(exact name of obligor as specified in its charter)

WASHINGTON  
(State or other jurisdiction of  
incorporation or organization)

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

1411 East Mission Avenue  
Spokane, Washington 99202  
(Address of principal executive offices)

99220  
(Zip Code)

-----

AVISTA CORPORATION DEBT SECURITIES  
(Title of the indenture securities)

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GENERAL

Item 1. General Information.

Furnish the following information as to the trustee:

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

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

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

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

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

Yes.

Item 2. Affiliations with the Obligor and Guarantors.

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

None.

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

Item 16. List of Exhibits

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

1. A copy of the Restated Organization Certificate of the Trustee dated March 25, 1997 and the Certificate of Amendment dated October 22, 2001 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-76894, which is incorporated by reference.)

2. A copy of the Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference). On November 11, 2001, in connection with the merger of The Chase Manhattan Bank and Morgan Guaranty Trust Company of New York, the surviving corporation was renamed JPMorgan Chase Bank.

3. None, authorization to exercise corporate trust powers being contained in the documents identified above as Exhibits 1 and 2.

4. A copy of the existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 333-76894, which is incorporated by reference.)

5. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference). On November 11, 2001, in connection with the merger of The Chase Manhattan Bank and Morgan Guaranty Trust Company of New York, the surviving corporation was renamed JPMorgan Chase Bank.

7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, JPMorgan Chase Bank, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York, on the day of April 16, 2004,

JPMORGAN CHASE BANK

By /s/ Mitch Gardner

-----  
Mitch Gardner  
Vice President

Exhibit 7 to Form T-1

Bank Call Notice

RESERVE DISTRICT NO. 2  
CONSOLIDATED REPORT OF CONDITION OF

JPMorgan Chase Bank  
of 270 Park Avenue, New York, New York 10017  
and Foreign and Domestic Subsidiaries,  
a member of the Federal Reserve System,

at the close of business March 31, 2003, in  
accordance with a call made by the Federal Reserve Bank of this  
District pursuant to the provisions of the Federal Reserve Act.

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

=====

LIABILITIES

Deposits	
In domestic offices .....	\$174,351
Noninterest-bearing .....	\$70,991
Interest-bearing .....	103,360
In foreign offices, Edge and Agreement subsidiaries and IBF's .....	125,789
Noninterest-bearing.....	\$ 7,531
Interest-bearing .....	118,258
Federal funds purchased and securities sold under agree- ments to repurchase:	
Federal funds purchased in domestic offices	5,929
Securities sold under agreements to repurchase	113,903
Trading liabilities .....	116,329
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases).....	10,758
Bank's liability on acceptances executed and outstanding.....	225
Subordinated notes and debentures .....	8,306
Other liabilities .....	29,735
TOTAL LIABILITIES .....	585,325
Minority Interest in consolidated subsidiaries.....	97

EQUITY CAPITAL

Perpetual preferred stock and related surplus.....	0
Common stock .....	1,785
Surplus (exclude all surplus related to preferred stock).....	16,304
Retained earnings.....	17,228
Accumulated other comprehensive income.....	957
Other equity capital components.....	0
TOTAL EQUITY CAPITAL .....	36,274
-----	
TOTAL LIABILITIES, MINORITY INTEREST, AND EQUITY CAPITAL	\$621,696
	=====

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

JOSEPH L. SCLAFANI

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

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

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

-----  
FORM T-1

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

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

-----  
CITIBANK, N.A.

(Exact name of trustee as specified in its charter)

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

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

10043  
(Zip Code)

-----  
AVISTA CORPORATION

(Exact name of obligor as specified in its charter)

Washington  
(State or other jurisdiction of  
incorporation or organization)

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

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

99202-2600  
(Zip Code)

-----  
Debt Securities  
(Title of the indenture securities)

Item 1. General Information.

Furnish the following information as to the trustee:

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

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

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

Yes.

Item 2. Affiliations with Obligor.

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

None.

Item 16. List of Exhibits.

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

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

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

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

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

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

Exhibit 5 - Not applicable.

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

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

Exhibit 8 - Not applicable.

Exhibit 9 - Not applicable.

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SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, Citibank, N.A., a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York and State of New York, on the 14th day of April, 2004.

CITIBANK, N.A.

By           /s/Wafaa Orfy  
-----  
              Wafaa Orfy  
              Vice President

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

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

ASSETS	THOUSANDS OF DOLLARS
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin . . . . .	\$13,330,000
Interest-bearing balances . . . . .	19,426,000
Held-to-maturity securities . . . . .	47,000
Available-for-sale securities . . . . .	84,510,000
Federal funds sold in domestic Offices	2,125,000
Federal funds sold and securities purchased under agreements to resell.. . . .	14,744,000
Loans and leases held for sale . . . . .	2,940,000
Loans and lease financing receivables:	
Loans and Leases, net of unearned income . . . . .	324,477,000
LESS: Allowance for loan and lease losses . . . . .	8,709,000
	-----
Loans and leases, net of unearned income, allowance, and reserve. . . . .	315,768,000
Trading assets . . . . .	79,871,000
Premises and fixed assets (including capitalized leases) . . . . .	3,964,000
Other real estate owned . . . . .	121,000
Investments in unconsolidated subsidiaries and associated companies . . . . .	952,000
Customers' liability to this bank on acceptances outstanding . . . . .	1,096,000
Intangible assets: Goodwill . . . . .	6,610,000
Intangible assets: Other intangible assets . . . . .	9,184,000
Other assets . . . . .	27,435,000
	-----
TOTAL ASSETS . . . . .	\$582,123,000
	=====

LIABILITIES

Deposits: In domestic offices . . . . .	\$113,879,000
Noninterest-bearing . . . . .	22,283,000
Interest-bearing . . . . .	91,596,000
In foreign offices, Edge and Agreement subsidiaries, and IBFs . . . . .	267,356,000
Noninterest-bearing . . . . .	18,588,000
Interest-bearing . . . . .	248,768,000
Federal funds purchased in domestic Offices	9,081,000
Federal funds purchased and securities sold under agreements to repurchase . . . . .	9,984,000
Demand notes issued to the U.S. Treasury . . . . .	0

Trading liabilities . . . . .	52,718,000
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases): ss . . . . .	43,863,000
Bank's liability on acceptances executed and outstanding . . . . .	1,096,000
Subordinated notes and debentures . . . . .	12,330,000
Other liabilities . . . . .	25,441,000
	-----
TOTAL LIABILITIES . . . . .	\$535,748,000
	-----
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES.. . . . .	422,000
EQUITY CAPITAL	
Perpetual preferred stock and related surplus . . . . .	1,950,000
Common stock . . . . .	751,000
Surplus . . . . .	24,831,000
Retained Earnings . . . . .	19,515,000
Accumulated net gains (losses) on cash flow hedges . . . . .	-1,094,000
Other equity capital components . . . . .	0
	-----
TOTAL EQUITY CAPITAL . . . . .	\$45,953,000
	-----
TOTAL LIABILITIES AND EQUITY CAPITAL . . . . .	\$582,123,000
	=====

I, Grace B. Vogel, Vice President and Controller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.  
GRACE B. VOGEL  
VICE PRESIDENT

We, the undersigned directors, attest to the correctness of this Report of Condition. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.  
ROBERT B. WILLUMSTAD  
ALAN S. MACDONALD  
WILLIAM R. RHODES  
DIRECTORS