UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1999

OR

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

For the transition period from __________ to __________

Commission file number 1-3701

AVISTA CORPORATION

(Exact name of registrant as specified in its charter)

Washington	91-0462470
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1411 East Mission Avenue, Spokane, Washington	99202-2600
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 509-489-0500
Web site: http://www.avistacorp.com

None

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

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

Yes [X] No [ ]

At April 30, 1999, 40,453,729 shares of Registrant's Common Stock, no par value (the only class of common stock), were outstanding.

AVISTA CORPORATION

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CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Avista Corporation

For the Three Months Ended March 31
Thousands of Dollars

	1999	1998
OPERATING REVENUES	$ 1,212,822	$ 571,678
OPERATING EXPENSES:		
Resource costs	1,065,000	407,587
Operations and maintenance	52,776	48,848
Administrative and general	30,517	26,225
Depreciation and amortization	19,070	17,659
Taxes other than income taxes	15,096	14,726
Total operating expenses	1,182,459	515,045
INCOME FROM OPERATIONS	30,363	56,633
OTHER INCOME (EXPENSE):		
Interest expense	(16,739)	(17,229)
Net gain on subsidiary transactions	16,479	7,611
Other income (deductions)-net	1,586	5,126
Total other income (expense)-net	1,326	(4,492)
INCOME BEFORE INCOME TAXES	31,689	52,141
INCOME TAXES	12,301	19,909
NET INCOME	19,388	32,232
DEDUCT-Preferred stock dividend requirements	5,384	824
INCOME AVAILABLE FOR COMMON STOCK	$ 14,004	$ 31,408
Average common shares outstanding (thousands)	40,454	55,960
EARNINGS PER SHARE OF COMMON STOCK, BASIC	$ 0.35	$ 0.56
EARNINGS PER SHARE OF COMMON STOCK, DILUTED	$ 0.34	$ 0.56
Dividends paid per common share	$ 0.12	$ 0.31
NET INCOME	$ 19,388	$ 32,232
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation adjustment	220	--
Unrealized investment gains/(losses)-net of tax	415	272
OTHER COMPREHENSIVE INCOME	635	272
COMPREHENSIVE INCOME	$ 20,023	$ 32,504

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED BALANCE SHEETS
Avista Corporation

Thousands of Dollars

	March 31, 1999	December 31, 1998
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 80,807	$ 72,836
Temporary cash investments	490	5,786
Accounts and notes receivable-net	443,154	456,857
Energy commodity assets	486,131	335,224
Option premiums paid	94,891	22,357
Materials and supplies, fuel stock and natural gas stored	38,010	42,140
Prepayments and other	43,543	33,396
Total current assets	1,187,026	968,596
UTILITY PROPERTY:		
Utility plant in service-net	2,112,292	2,095,301
Construction work in progress	42,990	45,391
Total	2,155,282	2,140,692
Less: Accumulated depreciation and amortization	682,408	669,750
Net utility plant	1,472,874	1,470,942
OTHER PROPERTY AND INVESTMENTS:		
Investment in exchange power-net	61,127	62,577
Non-utility properties and investments-net	200,738	206,773
Energy commodity assets	205,910	236,644
Other-net	26,606	26,016
Total other property and investments	494,381	532,010
DEFERRED CHARGES:		
Regulatory assets for deferred income tax	170,114	171,037
Conservation programs	47,605	49,114
Unamortized debt expense	28,002	28,414
Other-net	37,268	33,523
Total deferred charges	282,989	282,088
TOTAL	$3,437,270	$3,253,636
LIABILITIES AND CAPITALIZATION:		
CURRENT LIABILITIES:		
Accounts payable	$ 424,440	$ 406,457
Energy commodity liabilities	497,963	330,957
Option premiums received	60,686	17,430
Taxes and interest accrued	45,663	38,628
Other	55,907	70,721
Total current liabilities	1,084,659	864,193
NON-CURRENT LIABILITIES AND DEFERRED CREDITS:		
Non-current liabilities	36,561	34,815
Deferred revenue	141,174	145,124
Energy commodity liabilities	169,303	207,948
Deferred income taxes	367,549	357,702
Other deferred credits	9,837	11,571
Total non-current liabilities and deferred credits	724,424	757,160
CAPITALIZATION (See Consolidated Statements of Capitalization)	1,628,187	1,632,283
COMMITMENTS AND CONTINGENCIES (Note 4)		
TOTAL	$3,437,270	$3,253,636

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSOLIDATED STATEMENTS OF CAPITALIZATION
Avista Corporation

Thousands of Dollars

	March 31, 1999	December 31, 1998
LONG-TERM DEBT:		
First Mortgage Bonds:		
7 1/8% due December 1, 2013	$ 66,700	$ 66,700
7 2/5% due December 1, 2016	17,000	17,000
Secured Medium-Term Notes:		
Series A - 6.13% to 8.06% due 2000 through 2023	180,400	211,500
Series B - 6.20% to 8.25% due 1999 through 2010	150,000	150,000
Total first mortgage bonds	414,100	445,200
Pollution Control Bonds:		
6% Series due 2023	4,100	4,100
Unsecured Medium-Term Notes:		
Series A - 7.94% to 9.57% due 1999 through 2007	38,500	38,500
Series B - 6.75% to 8.23% due 2001 through 2023	96,000	115,000
Series C - 5.99% to 6.88% due 2007 through 2028	84,000	84,000
Total unsecured medium-term notes	218,500	237,500
Notes payable (due within one year) to be refinanced	44,400	--
Other	34,845	43,222
Total long-term debt	715,945	730,022
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED TRUST SECURITIES:		
7 7/8%, Series A, due 2037	60,000	60,000
Floating Rate, Series B, due 2037	50,000	50,000
Total company-obligated mandatorily redeemable preferred trust securities	110,000	110,000
PREFERRED STOCK-CUMULATIVE:		
10,000,000 shares authorized:		
Subject to mandatory redemption:		
$6.95 Series K; 350,000 shares outstanding ($100 stated value)	35,000	35,000
Total subject to mandatory redemption	35,000	35,000
CONVERTIBLE PREFERRED STOCK:		
Not subject to mandatory redemption:		
$12.40 Convertible Series L; 1,540,460 shares outstanding ($182.80 stated value)	269,148	269,227
Total convertible preferred stock	269,148	269,227
COMMON EQUITY:		
Common stock, no par value; 200,000,000 shares authorized; 40,453,729 shares outstanding	381,401	381,401
Note receivable from employee stock ownership plan	(9,057)	(9,295)
Capital stock expense and other paid in capital	(4,177)	(4,176)
Other comprehensive income	294	(341)
Retained earnings	129,633	120,445
Total common equity	498,094	488,034
TOTAL CAPITALIZATION	$ 1,628,187	$ 1,632,283

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

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

For the Three Months Ended March 31
Thousands of Dollars

	1999	1998
OPERATING ACTIVITIES:		
Net income	$ 19,388	$ 32,232
NON-CASH ITEMS INCLUDED IN NET INCOME:		
Depreciation and amortization	19,070	17,659
Provision for deferred income taxes	11,275	7,870
Allowance for equity funds used during construction	(301)	(402)
Power and natural gas cost deferrals and amortizations	(1,249)	1,151
Gain on sale of subsidiary investments and other-net	(10,865)	(8,468)
(Increase) decrease in working capital components:		
Receivables and prepaid expense	(11,559)	(32,459)
Materials & supplies, fuel stock and natural gas stored	4,130	3,010
Payables and other accrued liabilities	9,874	42,227
Other	(4,506)	(5,235)
NET CASH PROVIDED BY OPERATING ACTIVITIES	35,257	57,585
INVESTING ACTIVITIES:		
Construction expenditures (excluding AFUDC-equity funds)	(16,327)	(19,253)
Other capital requirements	(6,877)	(2,445)
(Increase) decrease in other noncurrent balance sheet items-net	(2,422)	2,923
Proceeds from sale of subsidiary investments	63,483	22,433
Assets acquired and investments in subsidiaries	(40,755)	(10,254)
NET CASH USED IN INVESTING ACTIVITIES	(2,898)	(6,596)
FINANCING ACTIVITIES:		
Increase (decrease) in short-term borrowings	38,801	(28,224)
Proceeds from issuance of long-term debt	581	6,251
Redemption and maturity of long-term debt	(52,694)	(8,686)
Cash dividends paid	(10,250)	(18,171)
Other-net	(826)	(227)
NET CASH USED IN FINANCING ACTIVITIES	(24,388)	(49,057)
NET INCREASE IN CASH & CASH EQUIVALENTS	7,971	1,932
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	72,836	30,593
CASH & CASH EQUIVALENTS AT END OF PERIOD	$ 80,807	$ 32,525
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period:		
Interest	$ 13,862	$ 14,655
Income taxes	1,439	390
Noncash financing and investing activities:		
Property purchased under capitalized leases	267	244

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

SCHEDULE OF INFORMATION BY BUSINESS SEGMENTS
Avista Corporation

For the Three Months Ended March 31
Thousands of Dollars

	1999	1998
OPERATING REVENUES:		
Energy Delivery	$ 117,416	$ 127,295
Generation and Resources	149,370	126,910
National Energy Trading and Marketing	896,028	271,057
Non-energy	50,636	47,684
Intersegment eliminations	(628)	(1,268)
Total operating revenues	$ 1,212,822	$ 571,678
RESOURCE COSTS:		
Energy Delivery:		
Natural gas purchased for resale	$ 35,191	$ 37,918
PCA and other	(493)	(1,226)
Generation and Resources:		
Power purchased	109,765	85,895
Fuel for generation	8,001	9,470
Other	11,289	12,315
National Energy Trading and Marketing:		
Cost of sales	901,875	264,483
Intersegment eliminations	(628)	(1,268)
Total resource costs (excluding Non-energy)	$ 1,065,000	$ 407,587
GROSS MARGINS:		
Energy Delivery	$ 82,718	$ 90,603
Generation and Resources	20,315	19,230
National Energy Trading and Marketing	(5,847)	6,574
Total gross margins (excluding Non-energy)	$ 97,186	$ 116,407
OPERATIONS AND MAINTENANCE EXPENSES:		
Energy Delivery	$ 13,035	$ 14,158
National Energy Trading and Marketing	764	312
Non-energy	38,977	34,378
Total operations and maintenance expenses	$ 52,776	$ 48,848
ADMINISTRATIVE AND GENERAL EXPENSES:		
Energy Delivery	$ 11,515	$ 11,174
Generation and Resources	2,975	3,522
National Energy Trading and Marketing	6,460	4,170
Non-energy	9,567	7,359
Total administrative and general expenses	$ 30,517	$ 26,225
DEPRECIATION AND AMORTIZATION EXPENSES:		
Energy Delivery	$ 9,184	$ 8,678
Generation and Resources	6,269	6,180
National Energy Trading and Marketing	653	163
Non-energy	2,964	2,638
Total depreciation and amortization expenses	$ 19,070	$ 17,659
INCOME/(LOSS) FROM OPERATIONS (PRE-TAX):		
Energy Delivery	$ 37,482	$ 45,369
Generation and Resources	8,417	6,767
National Energy Trading and Marketing	(13,734)	1,929
Non-energy	(1,802)	2,568
Total income from operations	$ 30,363	$ 56,633

INCOME AVAILABLE FOR COMMON STOCK:		
Energy Delivery and Generation and Resources ..	$ 14,065	$ 22,268
National Energy Trading and Marketing	(8,006)	2,050
Non-energy	7,945	7,090
Total income available for common stock	$ 14,004	$ 31,408
ASSETS: (1998 amounts at December 31)		
Energy Delivery	$ 1,094,852	$ 1,120,323
Generation and Resources	606,035	619,086
Other utility	251,767	265,526
National Energy Trading and Marketing	1,212,080	957,421
Non-energy	272,536	291,280
Total assets	$ 3,437,270	$ 3,253,636
CAPITAL EXPENDITURES (excluding AFUDC/AFUCE):		
Energy Delivery	$ 12,615	$ 16,032
Generation and Resources	3,303	2,673
National Energy Trading and Marketing	3,918	160
Non-energy	2,990	2,475
Total capital expenditures	$ 22,826	$ 21,340

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

AVISTA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements of Avista Corporation (Avista Corp. or the Company) for the interim periods ended March 31, 1999 and 1998 are unaudited but, in the opinion of management, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results of operations for those interim periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements do not contain the detail or footnote disclosure concerning accounting policies and other matters which would be included in full fiscal year financial statements; therefore, they should be read in conjunction with the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (1998 Form 10-K).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS

The FASB issued FAS No. 133, entitled "Accounting for Derivative Instruments and Hedging Activities" which will be effective for fiscal years beginning after June 15, 1999. The statement requires that all derivative financial instruments be recognized as either assets or liabilities on the company's balance sheets at fair value. The accounting for changes in the fair value of a derivative will depend on the intended use of the derivative and the resulting designation. Avista Energy currently accounts for derivative commodity instruments entered into for trading purposes using the mark-to-market method of accounting, in compliance with EITF 98-10, "Accounting for Energy Trading and Risk Management Activities." The Company is in the process of researching the statement and its impact on the Company's financial position and results of operations.

RECLASSIFICATIONS

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

NOTE 2. ENERGY COMMODITY TRADING

Contract Amounts and Terms Under Avista Energy's derivative instruments, Avista Energy either (i) as "fixed price payor," is obligated to pay a fixed price or amount and is entitled to receive the commodity (or currency) or a variable amount or (ii) as "fixed price receiver," is entitled to receive a fixed price or amount and is obligated to deliver the commodity (or currency) or pay a variable amount. The contract or notional amounts and terms of Avista Energy's derivative commodity investments outstanding at March 31, 1999 are set forth below (volumes in thousands of mmBTUs and MWhs, dollars in thousands):

	Fixed Price Payor	Fixed Price Receiver	Maximum Terms in Years
Energy commodities (volumes)			
Natural gas	645,878,066	710,421,968	5
Electric	113,059,103	86,353,424	10
Coal (tons)	186,918	194,652	2
Financial products			
Foreign currency	-	$ 15,691	5

At March 31, 1999, Avista Energy also had sales and purchase commitments associated with contracts based on market prices totaling 748,809,882 mmBTUs, with terms extending up to 12 years. Fixed index electric transactions totaled 4,259,633 MWhs, with terms extending up to 10 years. The fixed index coal transactions totaled 42,397 tons, with terms extending up to 2 years.

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

Fair Value The fair value of Avista Energy's derivative commodity instruments outstanding at March 31, 1999, and the average fair value of those instruments held during the three months ended March 31, 1999 are set forth below (dollars in thousands):

	Fair Value as of March 31, 1999				Average Fair Value for the three months ended March 31, 1999			
	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
Natural gas	$123,237	$ 42,869	$135,437	$ 33,565	$131,319	$ 72,570	$139,319	$ 62,863
Electric	357,979	162,721	357,408	135,449	276,902	148,547	272,582	125,618
Coal	4,915	320	5,118	289	3,277	213	3,412	193
Total	$486,131	$205,910	$497,963	$169,303	$411,498	$221,330	$415,313	$188,674

The weighted average term of Avista Energy's natural gas and related derivative commodity instruments as of March 31, 1999 was approximately three months. The weighted average term of Avista Energy's electric derivative commodity instruments at March 31, 1999 was approximately ten months. The weighted average term of Avista Energy's coal commodity instruments at March 31, 1999 was approximately four months. The change in the fair value position of Avista Energy's energy commodity portfolio, net of the reserves for credit and market risk from December 31, 1998 to March 31, 1999 was $(7.3) million and is included on the Consolidated Statements of Income in operating revenues.

NOTE 3. FINANCINGS

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

NOTE 4. COMMITMENTS AND CONTINGENCIES

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

SPOKANE GAS PLANT

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

The Company responded to the DOE acknowledging its listing as a PLP, but requested that additional parties also be listed as PLPs. The Company also committed to pursue additional characterization of the site, with more drillings and samples, and is in the process of determining the extent of further work. The Company will be negotiating with the DOE on the remedial measures.

EASTERN PACIFIC ENERGY

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

On December 4, 1998, Avista Advantage, Avista Energy and the Company jointly filed a motion to dismiss the complaint for failure to state a claim upon which relief can be granted. Following a responsive pleading from the plaintiff, the court took the matter under advisement. On May 4, 1999, the Court granted the Company's and its affiliates' motion to dismiss the case and granted the plaintiff twenty days to file and serve an Amended Complaint.

NOTE 5. ACQUISITIONS AND DISPOSITIONS

Effective February 1, 1999, Avista Energy completed and closed the purchase of Vitol Gas & Electric, LLC (Vitol), based in Boston, Massachusetts. Vitol is one of the top 20 energy marketing companies in the United States. Vitol trades gas, electricity, coal and SO2 allowances in markets in the eastern half of the United States. The acquisition was funded through the issuance of additional shares of common stock to Avista Capital.

During the first quarter of 1999, Pentzer Corporation (Pentzer) sold its Creative Solutions Group, a group of five portfolio companies that provide point-of-purchase displays and other merchandising and packaging services to retailers and consumer product companies. The sale resulted in a transactional gain of $10.1 million, net of taxes.

AVISTA CORPORATION

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

Avista Corporation (Avista Corp. or the Company) operates as a regional utility providing electric and natural gas sales and services and as a national entity providing both energy and non-energy products and services. The utility portion of the Company, doing business as Avista Utilities, consists of two lines of business which are subject to state and federal price regulation -- (1) Energy Delivery and (2) Generation and Resources. The national businesses are conducted under Avista Capital, which is the parent company to the Company's subsidiaries.

The Energy Delivery line of business includes transmission and distribution services for retail electric operations, all natural gas operations, and other energy products and services. The Generation and Resources line of business includes the generation and production of electric energy, and short- and long-term electric and natural gas sales, trading and wholesale marketing primarily to other utilities and power brokers in the Western Systems Coordinating Council.

Avista Capital is the parent company to the National Energy Trading and Marketing and Non-energy businesses. The National Energy Trading and Marketing business is comprised of Avista Energy, Avista Advantage and Avista Power. Avista Energy focuses on commodity trading, energy marketing and other related businesses on a national basis. Avista Advantage provides a variety of energy-related products and services, such as consolidated billing and resource accounting, to commercial and industrial customers on a national basis. Avista Power was formed in December 1998 to develop and own generation assets primarily in support of Avista Energy. The Non-energy business is conducted primarily by Pentzer Corporation (Pentzer), which is the parent company to the majority of the Company's Non-energy businesses.

Changes underway in the utility and energy industries are creating new opportunities to expand the Company's businesses and serve new markets. In pursuing such opportunities, the Company is shifting its strategic direction to growth, which could subject the Company to a higher degree of risk than that of a traditional regulated public utility company.

RESULTS OF OPERATIONS

OVERALL OPERATIONS

First quarter 1999 net income available for common stock was $14.0 million, a $17.4 million decrease from first quarter 1998 net income of $31.4 million. The decrease in earnings was primarily the result of an $8.0 million loss from the National Energy Trading and Marketing line of business due to warmer than normal weather, soft national energy markets and a lack of volatility within those markets, as compared to net income of $2.1 million in the first quarter of 1998. In addition, earnings from utility operations declined $8.2 million from first quarter 1998 due to warmer than normal weather and increased resource costs in the first quarter of 1999. The decreased earnings were partially offset by a $10.1 million transactional gain, net of taxes, from the sale of a group of portfolio companies by Pentzer, which compares to a $5.5 million transactional gain, net of taxes, from the sale of a portfolio company by Pentzer in the first quarter of 1998. Preferred stock dividend requirements increased $4.6 million from 1998 to 1999 due to the exchange of shares of common stock for shares of the Convertible Preferred Stock, Series L, which occurred in December 1998.

Diluted earnings per share for the first quarter of 1999 were $0.34 as compared to $0.56 in the first quarter of 1998. Energy Delivery and Generation and Resources contributed $0.34 to earnings per share for the first quarter of 1999 compared to $0.40 in the first quarter of 1998. National Energy Trading and Marketing operations had a loss of $0.14 per share in the first quarter of 1999 compared to a contribution of $0.03 in the same period in 1998. Non-energy operations contributed $0.14 to earnings per share for the first quarter of 1999 compared to $0.13 in the same period in 1998, due to the $0.18 per share contribution from the 1999 transactional gain discussed above.

ENERGY DELIVERY

Energy Delivery's pre-tax income from operations decreased $7.9 million, or 17%, in the first quarter of 1999 from the same period in 1998. The decrease was primarily the result of an increase in the transfer price between the two utility lines of business representing the revenue from the sale of the electric energy commodity used to serve Energy Delivery's customers. This transfer of revenues between the two utility lines of business occurs through the use of a transfer price, primarily based on cost of production studies, that is associated with the sale of a kilowatthour of electricity. The electric energy commodity revenues are collected by Energy Delivery and transferred to Generation and Resources. The increase in the transfer price amounted to an additional $6.7 million that was transferred from Energy Delivery to Generation and Resources, but this additional amount was not collected from the customers. Energy Delivery's operating revenues and expenses decreased $9.9 million and $2.0 million, respectively, during the first quarter of 1999 as compared to 1998.

Retail electric revenues, excluding the effect of the revenues transferred to Generation and Resources, increased $1.8 million due to customer growth and

slightly cooler weather in the first quarter of 1999 as compared to 1998.
Natural gas

revenues decreased $1.9 million in the first quarter of 1999 from 1998 due to lower sales for resale, which resulted in a similar impact on purchased natural gas expense.

Total operating expenses decreased $2.0 million in the first quarter of 1999 from 1998. Purchased natural gas costs decreased $2.7 million in the first quarter of 1999, primarily from decreased therm sales due to lower sales for resale. This decrease was partially offset by a $0.4 million increase in the Idaho Power Cost Adjustment (PCA) in 1999 over 1998 due to higher streamflows.

GENERATION AND RESOURCES

Generation and Resources' pre-tax income from operations increased $1.7 million, or 24%, in the first quarter of 1999 over the same period in 1998. The increase was primarily due to the increase in the transfer price between the two utility lines of business, which resulted in a $6.7 million increase in the electric energy commodity revenues transferred to Generation and Resources by Energy Delivery. This increase was nearly offset by purchased power costs that increased more than the associated wholesale revenues during the first quarter of 1999. The Company committed to electric energy purchases in 1998 based on region-wide forecasts for colder temperatures and the expected higher demand for energy from both retail and wholesale customers. When those forecasted colder temperatures did not materialize as anticipated in the first quarter, the Company sold that energy into wholesale markets at lower prices.

Generation and Resources' revenues for the first quarter of 1999 increased $22.5 million over the same period in 1998. Streamflows in the first quarter of 1999 were 134% of normal, compared to 105% in the first quarter of 1998, which resulted in hydroelectric generation 13% higher in the first quarter of 1999 compared to 1998. This led to higher volumes of wholesale sales. Wholesale revenues increased $13.6 million, or 18%, while sales volumes increased only 6% during the first quarter of 1999 over 1998, reflecting higher prices for purchased power in the region. The majority of the remainder of the increased revenues resulted primarily from the higher electric commodity revenues transferred from Energy Delivery.

Increased wholesale sales caused purchased power volumes to increase 8%, which, combined with purchased power prices 18% higher than last year, resulted in a $24.2 million, or 28%, increase in resource costs in the first quarter of 1999 over 1998. This increase accounts for the majority of the increase in Generation and Resources' operating expenses.

NATIONAL ENERGY TRADING AND MARKETING

National Energy Trading and Marketing includes the results of Avista Energy, the national energy marketing subsidiary, Avista Advantage, the energy services subsidiary, and Avista Power, which was formed in December 1998 to develop and own generation assets primarily in support of Avista Energy. Avista Power operations have had minimal impact on earnings to date. Avista Energy maintains a trading portfolio which it marks to fair market value on a daily basis (mark-to-market accounting), which causes earnings variability.

National Energy Trading and Marketing income available for common stock for the first quarter of 1999 was a loss of $8.0 million, compared to first quarter 1998 earnings of $2.1 million. Its operations were primarily affected by warmer than normal weather, soft national energy markets and a lack of volatility within those markets. National Energy Trading and Marketing's revenues and operating expenses increased $625.0 million and $640.6 million, respectively, in the first quarter of 1999 over 1998.

The increase in revenues and expenses is primarily the result of Avista Energy continuing to grow its business. Since its inception in 1997, Avista Energy has been developing and expanding its business and adding experienced traders and staff. This growth continued through the first quarter of 1999 when Avista Energy purchased Vitol Gas & Electric, LLC (Vitol). Vitol, located in Boston, Massachusetts, is one of the top 20 energy marketing companies in the United States.

The decrease in earnings due to mark-to-market accounting was primarily due to the market decline resulting from mild weather conditions and a general lack of volatility in the electric and natural gas commodity markets. This lack of volatility continued to be a factor in these markets into the second quarter of 1999.

National Energy Trading and Marketing's total assets and liabilities increased $254.7 million from December 1998 to March 1999. Avista Energy's energy commodity assets and liabilities increased as a result of additional trading volumes, which were partially offset by market price declines. Trade receivables and payables increased due to additional volumes of sales and purchases.

NON-ENERGY

Non-energy operations primarily reflect the results from Pentzer. Non-energy income available for common stock for the first quarter of 1999 was $7.9 million, compared to first quarter 1998 earnings of $7.1 million. The 1999 earnings

include a transactional gain totaling $10.1 million, net of taxes, recorded by Pentzer as a result of the sale of a group of portfolio companies. The 1998 earnings included a transactional gain totaling $5.5 million, net of taxes, recorded by Pentzer as a result of the sale of one of its portfolio companies, Systran Financial Services. Non-transactional income from portfolio companies decreased $2.6 million in the first quarter of 1999 from 1998.

Non-energy operating revenues and expenses increased $3.0 million and $7.3 million, respectively, during the first quarter of 1999, as compared to 1998, primarily as a result of acquisitions during 1998 and increased business activity from several of Pentzer's portfolio companies. Income from operations for the first quarter of 1999 was a loss of $1.8 million, which was a $4.4 million decrease from 1998. This decrease in earnings primarily reflects decreased business activities at several of Pentzer's portfolio companies.

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LIQUIDITY AND CAPITAL RESOURCES

OVERALL OPERATIONS

Operating Activities Cash provided by operating activities in the first three months of 1998 totaled $35.3 million, a decrease of $22.3 million from the same period in 1998. Net income for the first quarter of 1999 was $12.8 million below that of 1998. Changes in various working capital components caused cashflows to decrease $2.1 million in 1999, compared to a $7.5 million increase in 1998, primarily due to Avista Energy's operations in both periods.

Investing Activities Cash used in investing activities totaled $2.9 million in the first quarter of 1999 compared to $6.6 million in the same period in 1998. Net cash used in investing activities during 1999 was primarily due to the purchase of Vitol and capital expenditures, partially offset by proceeds from the sale of subsidiary investments by Pentzer.

Financing Activities Cash used in financing activities totaled $24.4 million in the first three months of 1999 compared to $49.1 million in 1998. Short-term borrowings increased $38.8 million, while $52.7 million of long-term debt matured or was redeemed in the first quarter of 1999. In the first quarter of 1998, short-term borrowings decreased $28.2 million. Dividends paid decreased $7.9 million in the first quarter of 1999 compared to 1998 as a result of the Company's dividend restructuring that occurred in December 1998.

The Company's total common equity increased $10.1 million during the first quarter of 1999 to $498.1 million, primarily due to net income for the quarter. The Company's consolidated capital structure at March 31, 1999, was 44% debt, 25% preferred securities and 31% common equity, compared to 45% debt, 25% preferred securities and 30% common equity at year-end 1998. Had the convertible preferred stock been converted back to common stock, the Company's consolidated capital structure at March 31, 1999, would have been 44% debt, 9% preferred securities and 47% common equity.

ENERGY DELIVERY AND GENERATION AND RESOURCES OPERATIONS

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

Capital expenditures are financed on an interim basis with notes payable (due within one year). The Company has $200 million in committed lines of credit. In addition, the Company may currently borrow up to $100 million through other borrowing arrangements with banks. As of March 31, 1999, $44.4 million was outstanding under other short-term borrowing arrangements and there were no outstanding borrowings under the committed line of credit.

NATIONAL ENERGY TRADING AND MARKETING OPERATIONS

Avista Energy and its subsidiary, Avista Energy Canada, Ltd., as co-borrowers, have a credit agreement with a commercial bank in the aggregate amount of $110 million, expiring May 15, 1999. The credit agreement may be terminated by the bank at any time and all extensions of credit under the agreement are payable upon demand, in either case at the bank's sole discretion. The agreement also provides, on an uncommitted basis, for the issuance of letters of credit to secure contractual obligations to counterparts. The facility is guaranteed by Avista Capital and is secured by substantially all of Avista Energy's assets. The maximum cash component of credit extended by the bank is $30 million, with availability of up to $110 million for the issuance of letters of credit. At March 31, 1999, there were $3.5 million of cash advances (demand notes payable) outstanding, and letters of credit outstanding under the facility totaled $42.9 million.

Avista Power recently announced the purchase of a site in New Mexico on which it will construct a 120 megawatt combined cycle natural gas-fired electrical generating plant. Construction of the plant will begin in 1999, with initial operation in early 2000. The installed cost of the combined cycle gas turbine facility is anticipated to be approximately $70 million.

NON-ENERGY OPERATIONS

The non-energy operations have $46.2 million in short-term borrowing arrangements available ($11.2 million outstanding as of March 31, 1999) to fund Pentzer's portfolio companies' requirements on an interim basis. At March 31, 1999, the non-energy operations had $74.0 million in cash and marketable securities with $42.9 million in long-term debt outstanding (the current portions of which are included on the Consolidated Balance Sheets as other current liabilities).

YEAR 2000

The Company continues to move forward with a comprehensive program to address areas of risk associated with the Year 2000. Systems and programs that may be affected by the Year 2000 problem have been identified and activities are underway to make these systems Year 2000 ready. At this time, it is the Company's belief that all identified modifications that are within the Company's operating control will be made within the required time frames.

State of Readiness

In order to address Year 2000 issues, several project activity teams were created and a comprehensive readiness plan was developed to bring the Company's business critical systems into Year 2000 readiness by the middle of 1999. The Company defines business critical systems as systems that directly affect the Company's ability to deliver energy services to customers. The Company's Year 2000 project was divided into the five major categories of activities that follow.

Desktop Computer Systems All desktop computer hardware has been Year 2000 tested and an inventory and assessment of desktop resident third-party software has been completed. The Company expects hardware remediation to be completed by mid-1999. All non-compliant third-party software programs and critical business desktop applications are expected to be upgraded, converted, tested and made Year 2000 ready by the middle of 1999.

Business Systems Many of the Company's critical business systems would not have operated correctly in the year 2000 and beyond, and thus have been or are in the process of being re-programmed, upgraded or replaced. Key business systems have been inventoried and assessed. The Company has completed remediation and testing of all mainframe computer business systems. Implementation of a new Materials Management system is scheduled for late 1999. The Company is in the process of developing alternative plans in the unlikely event the Company is unable to implement the new Materials Management System before the year 2000. A failure of these systems would not jeopardize the Company's ability to deliver energy services to customers, but might affect its ability to perform selected accounting and business-related functions. The Company has completed testing and remediation of approximately 90% of its business critical systems.

Supply Chain The Company recognizes its dependence on outside suppliers of goods and services and is working to assure that the necessary products and services are available. To address these issues, the Company has communicated with suppliers and identified critical suppliers in order to investigate their efforts to become Year 2000 ready. In addition, the Company has made site visits to select key suppliers and is reviewing their contingency plans.

Embedded Systems The Embedded System team is responsible for locating, assessing, testing, fixing or replacing microprocessor-controlled devices. Inventory and assessment is 99% complete, and to date very few embedded systems have been found that require remediation. None of these requiring remediation would have caused a disruption in service to customers. Remediation and testing is complete at all eleven of the Company's generation sites and these sites are Year 2000 ready.

The Company's Supervisory Control and Data Acquisition (SCADA) system, which monitors and controls the majority of the Company's generating and substation equipment and the transmission system, was run "in the Year 2000" for three days without incident. Testing of electric metering and devices in the Company's transmission and distribution substations systems has been completed and full testing of selected substations is in process and scheduled to be completed by mid-1999.

Contingency Planning The Company has developed contingency plans for the Company's electric and natural gas services and has also participated in the development of region-wide contingency plans for electric service through the Company's electric reliability region - the Western Systems Coordinating Council (WSCC).

A major Year 2000 project activity for the Company during 1999 is the development and implementation of detailed operational plans to support the Company's contingency plans. Key activities in 1999 include the assignment of resources to key locations for the evening of December 31, 1999 and the morning of January 1, 2000, training of personnel, testing of backup procedures and the completion of tasks that support the Company's contingency plans.

The Company participated in a region-wide Year 2000 drill on April 9, 1999, simulating the partial loss of voice and data communications. The drill successfully exercised the Company's backup communications systems and selected manual procedures that would be needed to operate the Company's electric systems in the unlikely event of a loss of communications due to Year 2000. The drill was facilitated by the North American Electric Reliability Council. The Company is also planning to participate in a second region-wide drill scheduled for September 9, 1999.

Costs

The Company estimates that the cost of its Year 2000 project will be approximately $6-7 million in incremental costs during the 1997-1999 time period. Through March 31, 1999, the Company had spent $4.0 million in incremental costs. These costs are being funded through operating cashflows. The Company does not expect costs associated with the Year 2000 project to materially affect the Company's earnings in any one year.

Risks

Based upon information to date, the Company believes that, in the most reasonably likely worst-case scenario, Year 2000 issues could result in abnormal operating conditions, such as short-term interruption of generation, transmission and distribution functions, as well as Company-wide loss of system monitoring and control functions and loss of voice communications. These conditions, along with disruptions in natural gas service caused by failures of gas suppliers or interstate gas pipelines coupled with power outages due to the possible instability of the regional electric transmission grid, could result in the possible temporary interruption of service to customers. The Company does not believe the overall impact of this scenario will have a material impact on its financial condition or operations due to the anticipated short-term nature of interruptions.

The Company believes the primary areas of Year 2000 risk to be internal business systems, which are discussed above, and external factors, which include the regional electric transmission grid and natural gas pipelines. There can be no guarantee that systems of other companies on which the Company's systems rely will be timely converted. A failure to convert by another company or a conversion that is incompatible with the Company's systems could have an effect on the Company's ability to provide energy services.

Electric The Company is working with the other energy suppliers in the area to address risks related to the regional electric transmission grid, which consists of the interconnected transmission systems of each utility within the WSCC. Such interconnected systems are critical to the reliability of each interconnected electric service provider, as the failure of one such interconnected provider to achieve Year 2000 compliance could disrupt the others from providing electric services. Should the regional electric transmission grid become unstable, power outages may occur. The Company cannot assure Year 2000 compliance or assess the effect of non-compliance by systems or parties that the Company does not control.

In addition to the traditional electric utility operations of the Company, the energy trading business conducted by Avista Energy is subject to Year 2000 risk. Most of Avista Energy's internal business systems do not require any significant upgrading and those that do are being addressed. However, if any of Avista Energy's counterparties experience Year 2000 problems (including, but not limited to, problems arising out of failures in the generation or transmission systems of utilities or other energy suppliers), such problems could impair the ability of Avista Energy or any of its counterparties to fulfill their contractual obligations. Avista Energy is in the process of contacting its counterparties to assess their Year 2000 readiness and of developing contingency plans.

Natural Gas The Company has performed an inventory and assessment of the equipment in its natural gas distribution systems and believes that there are no devices in the systems that will cause a disruption in the delivery of natural gas to customers due to a Year 2000 problem. However, the Company depends on natural gas pipelines which it does not own or control, and if one or more of the pipelines is unable to deliver natural gas, the Company in turn will be unable to deliver natural gas to customers. In order to address this issue, the Company has contacted each of the natural gas pipeline companies with which it has contracts to assess their Year 2000 readiness efforts and will continue to take reasonable steps to ensure that these suppliers are addressing any Year 2000 related problems that would result in a disruption in natural gas services to customers.

ENERGY TRADING BUSINESS

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

The Company (to the extent that the Generation and Resources segment conducts energy trading) and Avista Energy are subject to the various risks inherent in commodity trading including, particularly, market risk and credit risk.

Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply (in the case of electricity, adequacy of generating reserve margins as well as scheduled and unscheduled outages of generating facilities) and demand (extreme variations in the weather, whether or not

predicted). Market risk includes the risk of fluctuation in the market price of associated derivative commodity instruments. All market risk is influenced to the extent that the performance or non-performance by market participants of their contractual obligations and commitments affect the supply of the commodity.

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

Avista Capital provides guarantees for Avista Energy's line of credit agreement, and in the course of business may provide guarantees to other parties with whom Avista Energy may be doing business. The Company's investment in Avista Capital totaled $311.7 million at March 31, 1999.

RISK MANAGEMENT

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

Interest Rate Risk The Company's market risks related to interest rates have not changed materially from those reported in the 1998 Form 10-K.

Commodity Price Risk The Company's market risks related to commodity prices have not changed materially from those reported in the 1998 Form 10-K. The following Value-at-Risk (VAR) information has been updated for the current period. At March 31, 1999, Avista Energy's estimated potential one-day unfavorable impact on gross margin was $4.5 million, as measured by VAR, related to its commodity trading and marketing business. The average daily VAR for the first quarter of 1999 was $3.5 million.

At March 31, 1999, Avista Energy's estimated potential one-day unfavorable impact on gross margin was $4.5 million, as measured by VAR, related to its commodity trading and marketing business. The average daily VAR for the first quarter of 1999 was $3.5 million.

Foreign Currency Risk The Company's market risks related to foreign currency have not changed materially from those reported in the 1998 Form 10-K.

SAFE HARBOR FOR FORWARD LOOKING STATEMENTS.

The Company is including the following cautionary statement in this Form 10-Q to make applicable and to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements are all statements other than statements of historical fact, including without limitation those that are identified by the use of the words "anticipates," "estimates," "expects," "intends," "plans," "predicts," and similar expressions. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those expressed. Such risks and uncertainties include, among others, changes in the utility regulatory environment, wholesale and retail competition, weather conditions and various other matters, many of which are beyond the Company's control. These forward-looking statements speak only as of the date of the report. The Company expressly undertakes no obligation to update or revise any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based. See "Safe Harbor for Forward Looking Statements" in the Company's 1998 Form 10-K under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Future Outlook.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

Common Stock Repurchase Plan On May 12, 1999, the Company's Board of Directors authorized a common stock repurchase program in which the Company may repurchase in the open market or through privately negotiated transactions up to an aggregate of 10 percent of its common stock and common stock equivalents over the next two years. The repurchased shares will be retired as authorized but unissued shares.

Centralia Power Plant On May 10, 1999, the owners of the Centralia Power Plant announced an agreement to sell the plant to TransAlta, a Canadian company. Avista Corp. has a 15% interest in the generating plant. The Company expects to receive gross proceeds of approximately $60 million for its share of the plant. Final accounting for the sale of the plant is still being determined. The sale must be approved by federal and state regulators, as well as the city councils or directors who control the municipal utilities and public utility districts that also have ownership interests in the Centralia plant. It is expected that all approvals will be completed by the end of the year.

Avista Labs Avista Labs selected a Spokane company, Logan Industries, Inc., to manufacture its introductory proton exchange membrane (PEM) fuel cell generators slated for field tests this spring. A minimum of 200 PEM fuel cell power units will be manufactured, assembled and tested, with delivery of the first unit by the end of May. In June of this year, Avista Labs will begin installing demonstration sites throughout the United States to prove the reliability and ease of operation.

Avista Power On May 6, 1999, Avista Power and STEAG AG, Germany's largest independent power producer announced that the two companies will form a joint venture to develop, build and/or buy electric generation assets in strategic locations throughout North America. STEAG will purchase a 50 percent interest in Avista Power and invest jointly with Avista Power in future projects. STEAG also secured an option to purchase a minority interest in Avista Energy.

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

ADDITIONAL FINANCIAL DATA

At March 31, 1999, the total long-term debt of the Company and its consolidated subsidiaries, as shown in the Company's consolidated financial statements, was approximately $715.9 million. Of such amount, $218.5 million represents long-term unsecured and unsubordinated indebtedness of the Company, and $418.2 million represents secured indebtedness of the Company. The balance of $79.2 million includes short-term notes to be refinanced as well as indebtedness of subsidiaries. Consolidated long-term debt does not include the Company's subordinated indebtedness held by the issuers of Company-obligated preferred trust securities.

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

	12 Months Ended	
	March 31, 1999	December 31, 1998
Ratio of Earnings to Fixed Charges	2.38(x)	2.66(x)
Ratio of Earnings to Fixed Charges and Preferred Dividend Requirements	1.87(x)	2.25(x)

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

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

27 Financial Data Schedule.

(b) Reports on Form 8-K.

Dated January 6, 1999, regarding the Company's name change to Avista Corporation.

SIGNATURE

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

AVISTA CORPORATION
(Registrant)

Date: May 13, 1999 /s/ J. E. Eliassen

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

EXHIBIT 12

AVISTA CORPORATION

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

	12 Mos. Ended March 31,	Years Ended December 31			
	1999	1998	1997	1996	1995
Fixed charges, as defined:					
Interest on long-term debt	$ 65,688	$ 66,218	$ 63,413	$ 60,256	$ 55,580
Amortization of debt expense and premium - net	2,891	2,859	2,862	2,998	3,441
Interest portion of rentals	4,327	4,301	4,354	4,311	3,962
Total fixed charges	$ 72,906	$ 73,378	$ 70,629	$ 67,565	$ 62,983
Earnings, as defined:					
Net income from continuing ops	$ 65,296	$ 78,139	$114,797	$ 83,453	$ 87,121
Add (deduct):					
Income tax expense	35,656	43,335	61,075	49,509	52,416
Total fixed charges above	72,906	73,378	70,629	67,565	62,983
Total earnings	$173,858	$194,852	$246,501	$200,527	$202,520
Ratio of earnings to fixed charges	2.38	2.66	3.49	2.97	3.22
Fixed charges and preferred dividend requirements:					
Fixed charges above	$ 72,906	$ 73,378	$ 70,629	$ 67,565	$ 62,983
Preferred dividend requirements (2)	20,035	13,057	8,261	12,711	14,612
Total	$ 92,941	$ 86,435	$ 78,890	$ 80,276	$ 77,595
Ratio of earnings to fixed charges and preferred dividend requirements	1.87	2.25	3.12	2.50	2.61

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

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF AVISTA CORPORATION, INCLUDED IN THE QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
DEC-31-1999
MAR-31-1999
PER-BOOK
1,472,874
504,588
1,176,819
282,989
0
3,437,270
372,344
(3,883)
129,633
498,094
145,000
269,148
614,892
55,609
29,138
0
33,200
0
5,015
2,304
1,784,870
3,437,270
1,212,822
12,301
1,182,459
1,182,459
30,363
18,065
48,428
16,739
19,388
5,384
14,004
4,855
0
35,257
0.35
0.34

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