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SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 2, 2001

AVISTA CORPORATION

(Exact name of registrant as specified in its charter)

Washington	1-3701	91-0462470
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1411 East Mission Avenue, Spokane, Washington	99202-2600
(Address of principal executive offices)	(Zip Code)

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

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

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Item 5. Other Information

Washington Rate Case Filing

On December 3, 2001, Avista Corporation (Avista Corp. or the Company) filed a general rate case with the Washington Utilities and Transportation Commission (WUTC) to address the impact of energy price volatility, the recovery of cash outlays for increased power supply costs and expenses related to building additional generation. The Company's press release disclosing this event is filed as Exhibit 99(a) hereto. The WUTC may take up to 11 months to review the general rate case filing.

In the rate case filing with the WUTC, Avista Corp. is requesting an interim rate increase of 10 percent above current rates (which includes a 25 percent temporary surcharge approved by the WUTC in September 2001) effective March 15, 2002. At the conclusion of the general rate case, Avista Corp. has requested that a number of adjustments be made that would result in no net change to rates after March 15, 2002. The interim rate increase of 10 percent would end, base electric rates would increase by 22.5 percent and the electric surcharge would be reduced from 25 percent to 14.9 percent. These rate increases are necessary in order to continue the recovery of prior deferred power costs over a five-year period. The proposed rate increases also reflect the recovery of costs associated with the addition of the Company's 50 percent ownership in the Coyote Springs 2 power plant and the addition of several small generation projects built to serve retail customer needs.

Avista Corp. has requested the implementation of a temporary accounting mechanism for the deferral of power costs incurred in excess of the amount recovered through rates effective January 1, 2002 until the conclusion of the general rate case. In the general rate case, Avista Corp. has requested the establishment of a permanent power cost adjustment (PCA) mechanism to increase or decrease future electric rates based on actual power supply costs, similar to the purchased gas cost adjustment that has been in place in Washington for many years. The Washington PCA mechanism proposed by Avista Corp. is similar to the existing Idaho PCA mechanism.

The rate case proposed by Avista Corp. requests a 12.75 percent rate of return on common equity and a 10.39 percent overall rate of return.

Neither the filing of any press release as an exhibit to this Current Report nor the inclusion in such press releases of a reference to the Company's Internet address shall, under any circumstances, be deemed to incorporate the information available at such Internet address into this Current Report. The information available at the Company's Internet address is not part of this Current Report or any other report filed by the Company with the Securities and Exchange Commission.

Enron Exposure

On December 2, 2001, Enron Corporation (Enron) and certain of its affiliates (including certain entities with which the Company and its affiliates have outstanding transactions) filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The bankruptcy filing constitutes an event of default under existing contracts Avista Corp. and Avista Energy, Inc. (Avista Energy) have with Enron and its affiliates. As such, Avista Corp. and Avista Energy have terminated substantially all the contracts and have suspended all trading activities with Enron and its affiliates.

Both Avista Corp. and Avista Energy engage in physical and financial transactions for the purchase and sale of electric energy and capacity and natural gas. Both companies have done considerable business and have both short-term and long-term contracts with Enron and its affiliates. Avista Corp.'s long-term contracts with Enron and its affiliates have remaining terms ranging from 1 to 3 years. Avista Energy's long-term contracts with Enron and its affiliates have remaining terms ranging from 1 to 9 years.

As of November 30, 2001, Avista Corp. and Avista Energy had accounts payable to and accounts receivable from Enron and its affiliates as shown in the table below, which shows aggregate amounts for all Enron entities, although settlement with each entity may be made separately.

	Avista Corp.	Avista Energy
	(dollars in millions)	
Current accounts receivable	$ 1.4	$16.9
Current accounts payable(1)	$(1.5)	$ —

(1) Negative number indicates amount payable to Avista Corp.

The contracts of Avista Corp. and Avista Energy with each Enron affiliate provide that, upon termination, the net settlement of accounts receivable and accounts payable with such entity will be netted against the mark-to-market value of the terminated forward contracts with such entity. It is currently estimated that, for each of Avista Corp. and Avista Energy, the net mark-to-market liability to Enron entities in respect of terminated forward contracts substantially exceeds the total net receivables from these entities. It is further estimated that the net mark-to-market liability to Enron entities in respect of terminated forward contracts of Avista Corp. and Avista Energy, taken together, exceeds total net receivables from these entities by less than $30 million. Any claims by the Enron entities for amounts which Avista Corp. and Avista Energy might owe in respect of the terminated forward contracts would be subject to any defenses and counterclaims which Avista Corp. and Avista Energy may have.

The estimates of the mark-to-market values of terminated forward contracts are based on data currently available and on assumptions as to future market prices and other information. While Avista Corp. and Avista Energy believe these assumptions are reasonable, they are subject to change and ultimately could be challenged by the Enron entities or their bankruptcy trustees.

National Energy Production Corporation (NEPCO), a wholly-owned subsidiary of Enron, is the contractor responsible for the engineering, procurement and construction of the Coyote Springs 2 project pursuant to a fixed-price, date-certain turn-key contract. Avista Corp. will own 50 percent of the Coyote Springs 2 project (a 280-megawatt combined-cycle natural gas-fired plant under construction near Boardman, Oregon) when it commences commercial operation in mid-2002. NEPCO was not included in the initial bankruptcy filings made by Enron and its affiliates. However, Enron guaranteed NEPCO's obligations, and the bankruptcy filing by Enron is an event of default under the Coyote Spring 2 construction contract. NEPCO and Coyote Springs 2, LLC have amended the construction contract to, among other things, authorize Coyote Springs 2, LLC to make immediate draws under a letter of credit posted to secure NEPCO's performance and to permit Coyote Springs 2, LLC to pay third-party subcontractors of NEPCO directly. Coyote Springs 2, LLC is continuing to assess the ability of NEPCO to perform its obligations under the construction contract and may need to exercise additional remedies in the event the impact of the Enron bankruptcy prevents NEPCO from performing its obligations under the construction contract.

Avista Corp. is party to power exchange arrangements with a remaining life of 16 years whereby Enron Power Marketing Inc. (EPMI) (one of the Enron affiliates that filed for bankruptcy protection) purchases and sells capacity and energy from and/or to Avista Corp. and Portland General Electric Company. The Company cannot predict either (i) what effect, if any, the bankruptcy proceedings will have upon EPMI's performance of its obligations under these arrangements or (ii) the effect, if any, of nonperformance on the Company's business or financial condition.

Item 7. Exhibits

99(a) Press Release dated December 3, 2001.

SIGNATURES

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

AVISTA CORPORATION
(Registrant)

Date: December 11, 2001

/s/ Jon E. Eliassen

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

Exhibit 99(a)

(AVISTA CORP. LOGO)

News Release

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FOR IMMEDIATE RELEASE:
December 3, 2001
4:30 p.m. EST

Avista Files General Rate Case with Washington Regulators

Company seeks approval of electric price increase of 10 percent above current prices effective March 2002

Spokane, Wash.: Avista Corp. (**NYSE:AVA**) today filed a general electric rate case with Washington state regulators to address the impact of energy price volatility, the recovery of cash outlays for increased power supply costs and expenses related to building additional generation.

In this filing with the Washington Utilities and Transportation Commission (WUTC), Avista is requesting:

- an interim rate increase of 10 percent above current electric prices effective March 15, 2002, to offset a continuation of utility operating costs that are in excess of those being recovered through existing rates;

- implementation of a temporary deferred accounting mechanism to run from Jan. 1, 2002, until the conclusion of the general rate case, to reflect cash spent, but not yet reflected in rates, to buy power to serve retail customer needs;

- recovery of costs associated with the addition of the new Coyote Springs 2 power project and other generation projects built to serve retail customer needs; and

- establishment of a power cost adjustment (PCA) mechanism to adjust electric rates up or down with changes in the market, similar to the purchase gas cost adjustment mechanisms that have been in place for many years. Electric PCA mechanisms, in place in many other states, have been strongly suggested by the credit rating agencies.

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At the conclusion of the general rate case, a number of adjustments would be made that would result in no net change in rates after March 15, 2002. The interim rate relief would end, base rates would be reset by 22.5 percent to reflect the ongoing costs of providing service to customers, and the electric surcharge would decrease from 25 percent to 14.9 percent in order to continue the recovery of prior deferred power costs over a five-year period.

If the commission approves the requested interim price increase, the monthly bill for a residential customer using 1,000 kilowatt-hours (kWh) of electricity would increase by $5.83 per month to $58.72. Avista's new electric rates would remain among the lowest in the region and significantly below the national average of 6.8 cents per kWh.

The proposed 10 percent interim rate increase would be a uniform percentage for all customer classes. The increase would be applied to energy charges only; no increase would be applied to monthly fixed or demand charges. The resulting percentage increase on a customer's bill could be higher or lower than 10 percent, depending on the amount of energy consumed.

Avista Utilities President Scott Morris said, "Avista must improve its current financial situation. We have worked diligently to demonstrate to regulators the prudence of our wholesale power costs and have made dramatic reductions in costs in order to shore up the financial stability of the company. It is only after exhaustive efforts that we request further rate relief."

Avista's continued commitment to customers includes support of Project Share, an energy assistance program; CARES, a program assisting those who face challenges paying their bills; and energy conservation and efficiency programs.

In July, Avista requested an emergency electric surcharge of 36.9 percent for 27 months. In September of this year, the commission granted a 25 percent surcharge for 15 months, with the opportunity for Avista to address recovery of additional costs as part of a general rate case filing.

The surcharge request was a direct result of record-low hydroelectric conditions and unprecedented high electric prices during the past year. During most of that period, Avista purchased electricity for its customers at extremely high prices, resulting in over $200 million of unrecovered deferred-Power-costs.

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The commission has up to 11 months to review the general rate case filing. As part of the process, the commission also asked Avista to submit a filing to determine the prudence of the wholesale power purchases. Avista filed this on Nov. 13, 2001, and asked the commission to rule by Feb. 18, 2002, in order to resolve the uncertainty related to the deferred-power-costs.

Avista's credit ratings dropped in October 2001 below investment grade as a result of the company's weak financial condition and unresolved regulatory issues. The lower credit rating increased borrowing costs to Avista and, ultimately, to its customers. These additional costs are substantial. By regaining an investment grade credit rating as soon as possible, the company could begin reducing borrowing costs, which would be reflected in customer rates.

In order to improve its financial condition, Avista sold one-half of Coyote Springs 2 generating plant, scaled back and divested subsidiary businesses, and made significant temporary reductions to its capital and operations costs.

In fact, Avista reduced its utility capital expenditures by $15 million for the remainder of 2001 and will reduce utility capital expenditures by approximately $40 million from what was originally budgeted for 2002. The company continues to have a hiring freeze in place and has temporarily reduced executive and management compensation.

The reductions are largely related to the company's efforts to improve cash flows. These measures, however, even with the recent 25 percent emergency rate surcharge the WUTC granted this fall, do not provide financial indicators that support an investment grade credit rating.

Approximately 67 percent of the company's annual electric revenues are derived from eastern Washington where the company serves 210,000 electric customers.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses, Avista's affiliates include Avista Utilities, a company operating division that provides electric and natural gas service to customers in four western states. Non-regulated affiliates include Avista Advantage, Avista Labs and Avista Energy. Avista Corp.'s stock is traded under the ticker symbol "AVA" and its Internet address is www.avistacorp.com.

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This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2000, and the Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and Sept. 30, 2001.