

AVISTA CORP
Form 424B2
March 31, 2008

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Filed pursuant to Rule 424(b)(2). Registration No. 333-139239. A filing fee of \$9,825 calculated in accordance with Rule 457(r), has been transmitted to the SEC in connection with the securities offered by means of this prospectus supplement and the accompanying prospectus from the registration statement filed December 11, 2006. This paragraph shall be deemed to update the Calculation of Registration Fee table in the registration statement referred to above.

\$250,000,000

Avista Corporation

First Mortgage Bonds, 5.95% Series due 2018

Our First Mortgage Bonds, 5.95% Series due 2018 (the Offered Bonds), constitute a series of our Bonds described in the accompanying prospectus.

We will pay interest on the Offered Bonds on June 1 and December 1 of each year. The first such payment will be made on December 1, 2008. The Offered Bonds will mature on June 1, 2018, unless redeemed on an earlier date. The Offered Bonds are redeemable at our option, in whole at any time or in part from time to time, at a make-whole price as described herein. See Description of the Offered Bonds .

The Offered Bonds will be secured equally with all other bonds outstanding under our Mortgage (as defined in the accompanying prospectus).

See Risk Factors on page S-3 of this prospectus supplement and on page 3 of the accompanying prospectus to read about certain factors you should consider before buying the Offered Bonds.

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

	Per Bond	Total
Initial public offering price	99.666%	\$ 249,165,000
Underwriting discount	0.650%	\$ 1,625,000
Proceeds, before expenses, to Avista	99.016%	\$ 247,540,000

The initial public offering price set forth above does not include accrued interest, if any. Interest on the Offered Bonds will accrue from April 3, 2008 and must be paid by the purchasers if the Offered Bonds are delivered after April 3, 2008.

The underwriters expect to deliver the Offered Bonds to the purchasers through the facilities of The Depository Trust Company against payment in New York, New York on April 3, 2008.

Joint Book-Running Managers

UBS Investment Bank

BNY Capital Markets, Inc.

Goldman, Sachs & Co.

Senior Co-Managers

Banc of America Securities LLC

KeyBanc Capital Markets

Co-Managers

Wedbush Morgan Securities Inc.

Wells Fargo Securities

Prospectus Supplement dated March 27, 2008

This prospectus supplement and the accompanying prospectus incorporate by reference important business and financial information about Avista Corporation that is not included in or delivered with the prospectus. This information is available to you as set forth in the accompanying prospectus under [Where You Can Find More Information](#) .

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We have not authorized anyone to give you any information other than this prospectus supplement and the accompanying prospectus. You should assume that the information contained or incorporated in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates. We are not offering to sell the Offered Bonds and we are not soliciting offers to buy the Offered Bonds in any jurisdiction in which offers are not permitted.

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RISK FACTORS

General

Investing in the Offered Bonds involves risk. You should review all the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding to invest. See **Where You Can Find More Information** in the accompanying prospectus. In particular, you should carefully consider the risks and uncertainties discussed in Avista's Annual Report on Form 10-K, incorporated herein by reference, in **Item 1A Risk Factors** and under **Forward-Looking Statements** in **Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations**.

In addition to the risks and uncertainties referred to above, there are certain risks associated with the Offered Bonds as described below.

We cannot assure you that an active trading market for the Offered Bonds will develop.

We do not intend to apply for listing of the Offered Bonds on any securities exchange or automated quotation system. There can be no assurance as to the liquidity of any market that may develop for the Offered Bonds, the ability of the bondholders to sell their Offered Bonds or the price at which the bondholders will be able to sell the Offered Bonds. Future trading prices of the Offered Bonds will depend on many factors including, among other things, prevailing interest rates, our operating results and the market for similar securities.

The underwriters have informed us that they intend to make a market in the Offered Bonds. However, the underwriters are not obligated to do so, and any such market making activity may be terminated at any time without notice. If a market for the Offered Bonds does not develop, purchasers may be unable to resell the Offered Bonds for an extended period of time. Consequently, a bondholder may not be able to liquidate its investment readily, and the Offered Bonds may not be readily accepted as collateral for loans. In addition, such market making activity will be subject to restrictions of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

From time to time, we make forward-looking statements such as statements regarding projected or future financial performance, capital expenditures, dividends, capital structure, other financial items, strategic goals and objectives, and plans for operations. These statements have underlying assumptions (many of which are based, in turn, upon further assumptions). Such statements are made both in our reports filed under the Securities Exchange Act of 1934, as amended, and elsewhere. Forward-looking statements are all statements except those of historical fact, including, without limitation, those that are identified by the use of words such as, but not limited to, *will, may, could, should, intends, plans, seeks, anticipates, estimates, expects, projects, predicts, and similar expressions.*

Forward-looking statements are subject to a variety of risks and uncertainties and other factors. Most of these factors are beyond our control and many of them could have a significant effect on our operations, results of operations, financial condition or cash flows. This could cause actual results to differ materially from those anticipated in our statements. Such risks, uncertainties and other factors include, among others, those listed in **Management's Discussion and Analysis of Financial Condition and Results of Operations** under **Forward-Looking Statements** in our annual and quarterly reports incorporated herein by reference, as well as those discussed in **Risk Factors** in such reports incorporated herein by reference.

Our expectations, beliefs and projections are expressed in good faith. We believe they are reasonable based on, without limitation, an 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

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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 us to predict all of such factors, nor can we assess the effect of each such factor on our 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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THE COMPANY

General

Avista Corporation, which was incorporated in the Territory of Washington in 1889 (sometimes called Avista or the Company), is an energy company engaged in the generation, transmission and distribution of energy and, through its subsidiaries, in other energy-related businesses. Our corporate headquarters are in Spokane, Washington, the hub of the Inland Northwest geographic region. Agriculture, mining and lumber were the primary industries in the Inland Northwest for many years; today health care, education, finance, electronic and other manufacturing, tourism and service sectors are growing in importance.

Through 2007, we had three reportable business segments, as follows:

Avista Utilities - an operating division of Avista Corporation comprising our regulated utility operations that started in 1889. Avista Utilities generates, transmits and distributes electricity and distributes natural gas. It also engages in wholesale purchases and sales of electricity and natural gas.

Energy Marketing and Resource Management - electricity and natural gas marketing, trading and resource management. The activities of this business segment were conducted primarily by Avista Energy, Inc. (Avista Energy), an indirect subsidiary of Avista Corporation. On June 30, 2007, Avista Energy and Avista Energy Canada, Ltd. (Avista Energy Canada) completed the sale of substantially all of their contracts and ongoing operations to Shell Energy North America (U.S.), L.P. (Shell Energy), formerly known as Coral Energy Holding, L.P., as well as to certain other subsidiaries of Shell Energy. Completion of this transaction effectively ended the majority of the operations of this business segment. This segment still owns natural gas storage facilities and has operating revenues and resource costs related to the power purchase agreement for a 270 megawatt (MW) natural gas-fired combined cycle combustion turbine plant located in Idaho (Lancaster Plant). The Lancaster Plant is owned by an unrelated third-party and all of the output from the plant is contracted to Avista Energy through 2026. The majority of the rights and obligations under the power purchase agreement were assigned to Shell Energy through the end of 2009. Beginning in 2010, we expect these rights and obligations will be transferred to Avista Utilities, subject to future regulatory approval.

Advantage IQ - a provider of facility information and cost management services for multi-site customers throughout North America. This business segment's primary product lines include consolidated billing, resource accounting, energy analysis and loan profiling services. The activities of this business segment are conducted by Advantage IQ, Inc. (Advantage IQ), an indirect subsidiary of Avista Corporation.

Avista Corporation has other businesses, including sheet metal fabrication, venture fund investments and real estate investments. These activities do not represent a reportable business segment and are conducted by various indirect subsidiaries of Avista Corporation. Over time as opportunities arise, Avista plans to dispose of assets and phase out operations that do not fit with its overall corporate strategy. However, Avista may invest incremental funds to protect its existing investments and invest in new businesses that fit with its overall corporate strategy.

Avista Energy, Advantage IQ and the various other companies are subsidiaries of Avista Capital, Inc. (Avista Capital), which is a wholly owned subsidiary of Avista Corporation.

Avista Utilities

Avista Utilities provides electric distribution and transmission as well as natural gas distribution services in parts of eastern Washington and northern Idaho. It also provides natural gas distribution service in parts of northeast and southwest Oregon. At December 31, 2007, Avista Utilities supplied retail

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electric service to approximately 352,000 customers and retail natural gas service to approximately 311,000 customers across its entire service territory.

In addition to providing electric transmission and distribution services, Avista Utilities generates electricity from its generating facilities, which had a total net capability of approximately 1,771 MW at December 31, 2007. Avista Utilities owns and operates hydroelectric projects having a total net capability of approximately 979 MW, a wood-waste fueled generating station having a net capability of 50 MW, gas-fired generating facilities having a total net capability of 520 MW and an undivided interest in a coal-fired generating station with entitlement to 222 MW of net capability. In addition to its own resources, Avista Utilities is party to a number of long-term power purchase and exchange contracts that increase its available resources.

Energy Marketing and Resource Management

On June 30, 2007, Avista Energy and Avista Energy Canada completed the sale of substantially all of their contracts and ongoing operations to Shell Energy, as well as to certain other subsidiaries of Shell Energy. Completion of this transaction effectively ended the majority of the operations of this business segment.

Advantage IQ

Advantage IQ is a provider of facility information and cost management services for multi-site customers throughout North America. Through invoice processing, auditing, payment services and comprehensive reporting, our solutions at Advantage IQ are designed to provide companies with critical and easy-to-access information that enables them to proactively manage and reduce their utility, telecom and waste management expenses.

As part of this process, Advantage IQ analyzes and audits invoices, then presents consolidated bills on-line, as well as processing payments for these expenses. Information gathered from invoices, providers and other customer-specific data allows Advantage IQ to provide its clients with in-depth analytical support, real-time reporting and consulting services.

Other

Avista's other businesses include several subsidiaries, including Avista Ventures, Inc., Pentzer Corporation, Avista Development, Inc. and certain other operations of Avista Capital. Also included is Advanced Manufacturing and Development, a subsidiary of Pentzer Corporation.

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We will use net proceeds from the sale of the Offered Bonds, together with other available funds, to repay \$272,860,000 of 9.75% Senior Unsecured Notes which mature on June 1, 2008. Pending use, such proceeds will be invested by the Company in short-term investment vehicles or used to retire short-term debt.

SUMMARY FINANCIAL INFORMATION

Set forth below is certain summary consolidated financial information for the years ended December 31, 2007, 2006 and 2005. This financial information has been derived from the consolidated financial statements of Avista, which are incorporated herein by reference. This information should be read in conjunction with our consolidated financial statements and related notes, management's discussion and analysis of results of operations and other financial information which are incorporated by reference herein.

	Year Ended December 31,		
	2007	2006	2005
	(in millions)		
Operating Revenues	\$ 1,418	\$ 1,506	\$ 1,360
Income from Operations	138	200	152
Net Income	38	73	45

	At December 31,	
	2007	2006
	(in millions)	
Total Assets	\$ 3,190	\$ 4,057
Net Utility Property ⁽¹⁾	2,351	2,215
Total Debt	1,062	1,093
Preferred Stock	-	26
Stockholders' Equity	914	915

(1) Substantially all utility properties owned by the Company are subject to the lien of the Company's Mortgage.

	Year Ended	
	December 31,	
	2007	2006
Ratios of Earnings to Fixed Charges ⁽¹⁾	1.71	2.17

(1) The ratios for the years 2005, 2004 and 2003 were 1.74, 1.60 and 1.88, respectively. The ratios are computed using the consolidated earnings and fixed charges of Avista and its subsidiaries. Earnings consist of Income from Continuing Operations increased by income tax expense and fixed charges. Fixed Charges consist of interest on debt, net amortization of debt expense and premium, and the interest portion of rentals.

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated capitalization (including short-term debt and the current portion of long-term debt) as of December 31, 2007, as well as our consolidated cash and cash equivalents. The following data are unaudited and qualified in their entirety by our financial statements and other information incorporated herein by reference. See Use of Proceeds .

	As of December 31, 2007 (in millions)
Cash and cash equivalents	\$11.8
Short-term debt (including current portion of long-term debt) ⁽¹⁾	427.3
Long-term debt ⁽²⁾	521.5
Long-term debt to affiliated trusts	113.4
Common equity	914.0
Total capitalization	\$1,976.2

- (1) Short-term debt includes \$272.9 million of maturing unsecured senior notes and \$45.0 million of maturing secured medium-term notes. Additionally, short-term debt includes \$25.0 million of secured medium-term notes with a maturity date of June 2028 that are subject to redemption at the option of the security holders in June 2008 and \$83.7 million of secured pollution control bonds that are subject to remarketing on December 30, 2008. If the secured pollution control bonds cannot be successfully remarketed on that date, the Company will be required to purchase the bonds.

Avista Corp. has a committed line of credit agreement with various banks in the total amount of \$320.0 million with an expiration date of April 5, 2011. Avista Corp. has delivered \$320.0 million of non-transferable first mortgage bonds to the agent bank in order to secure its obligations under the revolving credit agreement. There were no borrowings outstanding under the revolving credit agreement at December 31, 2007.

- (2) Long-term debt includes \$513.0 million of secured debt, which includes first mortgage bonds (or debt secured by first mortgage bonds).

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DESCRIPTION OF THE OFFERED BONDS

The following description of the particular terms of the Offered Bonds supplements the description of the general terms and provisions of the Bonds set forth under "Description of the Bonds" in the accompanying prospectus, to which description reference is hereby made. Certain capitalized terms used and not defined in this prospectus supplement are defined under "Description of the Bonds" in the accompanying prospectus.

General

The Offered Bonds will be issued as one series of Bonds under our Mortgage, which is more fully described in the accompanying prospectus.

The Offered Bonds will be issued in fully registered form only, without coupons. The Offered Bonds will be initially represented by one or more fully registered global securities (the "Global Securities") deposited with or on behalf of The Depository Trust Company ("DTC"), as depository, and registered in the name of DTC or DTC's nominee. A beneficial interest in a Global Security will be shown on, and transfers or exchanges thereof will be effected only through, records maintained by DTC and its participants, as described below under "Book-Entry Only Issuance - The Depository Trust Company". The authorized denominations of the Offered Bonds will be \$1,000 and any larger amount that is an integral multiple of \$1,000. Except in limited circumstances described below, the Offered Bonds will not be exchangeable for Offered Bonds in definitive certificated form.

Principal, Maturity and Interest

We are issuing \$250,000,000 aggregate principal amount of Offered Bonds. The Offered Bonds will mature on June 1, 2018. We may, without the consent of holders of the Offered Bonds, issue additional bonds of the same series having the same interest rate, maturity and other terms (except the public offering price and issue date) as the Offered Bonds. Interest on the Offered Bonds will accrue at the rate of 5.95% per annum and will be payable semi-annually in arrears on June 1 and December 1 of each year (each such date, an "Interest Payment Date"), and at maturity. The first such payment will be made on December 1, 2008. We will make each interest payment to the holders of record on the immediately preceding May 15 and November 15.

Interest on the Offered Bonds will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Optional Redemption

The Offered Bonds will be redeemable in whole at any time, or in part from time to time, at the option of Avista, at a redemption price equal to the greater of:

100% of the principal amount of the Offered Bonds being redeemed; or

the sum of the present values of the remaining scheduled payments of principal of and interest (not including any portion of any scheduled payment of interest which accrued prior to the redemption date) on the Offered Bonds being redeemed discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Yield plus 37.5 basis points,

plus, in either of the above cases, accrued interest on such Offered Bonds to the redemption date.

Treasury Yield means, with respect to any redemption of Offered Bonds, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price. The Treasury Yield will be calculated as of the third business day preceding the redemption date or, if the Offered Bonds to be redeemed are to be defeased prior to the redemption date in accordance

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with the terms of the Mortgage, then as of the third business day prior to the earlier of (x) the date notice of such redemption is mailed to bondholders and (y) the date irrevocable arrangements with the Mortgage Trustee for the mailing of such notice have been made, as the case may be (the Calculation Date).

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Offered Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Offered Bonds.

Comparable Treasury Price means (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding the Calculation Date, as set forth in the H.15 Daily Update of the Federal Reserve Bank of New York or (2) if such release (or any successor release) is not published or does not contain such prices on the Calculation Date, the Reference Treasury Dealer Quotation for the Calculation Date.

H.15(519) means the weekly statistical release entitled Statistical Release H.15 (519) , or any successor publication, published by the Board of Governors of the Federal Reserve System.

H.15 Daily Update means the daily update of H.15(519) available through the worldwide website of the Board of Governors of the Federal Reserve System or any successor site or publication.

Independent Investment Banker means UBS Securities LLC, BNY Capital Markets, Inc., Goldman, Sachs & Co. or, if so determined by us, any other independent investment banking institution of national standing appointed by Avista and reasonably acceptable to the Mortgage Trustee.

Reference Treasury Dealer Quotation means, with respect to the Reference Treasury Dealer, the average, as determined by the Mortgage Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount and quoted in writing to the Mortgage Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding the Calculation Date).

Reference Treasury Dealer means a primary U.S. Government securities dealer in New York City appointed by Avista and reasonably acceptable to the Mortgage Trustee.

Book-Entry Only Issuance The Depository Trust Company

DTC will act as initial securities depository for the Offered Bonds. The Offered Bonds will be issued only as fully-registered securities registered in the name of Cede & Co. (DTC's nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered global certificates will be issued, representing in the aggregate the total principal amount of Offered Bonds and will be deposited with DTC or a custodian therefor.

The following is based upon information furnished by DTC:

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC's participants (Direct Participants) deposit with DTC. DTC also facilitates the post-trade settlement among Direct

Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC is the holding company for DTC, National Securities Clearing

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Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants and, together with Direct Participants, Participants). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered Bond (Beneficial Owner) is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmation providing details of the transactions, as well as periodic statements of their holdings, from Participants through which the Beneficial Owners purchased the Offered Bonds. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any changes in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Offered Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Offered Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the Mortgage Trustee on the relevant payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participants and not of DTC or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is our responsibility, disbursement of payments to Direct Participants is the responsibility of DTC, and disbursement of payments to the Beneficial Owners is the responsibility of the Participants.

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DTC may discontinue providing its services as depositary for the Offered Bonds at any time by giving reasonable notice to us. Under such circumstances, in the event that a successor depositary is not obtained, certificates for the Offered Bonds will be delivered to the Beneficial Owners. Additionally, we may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depositary) with respect to the Offered Bonds. In that event, certificates for the Offered Bonds will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and neither we nor the underwriters take any responsibility for the accuracy thereof. Neither we, the Mortgage Trustee nor the underwriters will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Offered Bonds or for maintaining, supervising or reviewing any such records.

Except as provided herein, a Beneficial Owner of an interest in a global Offered Bond certificate may not receive physical delivery of the Offered Bonds. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Offered Bonds.

Miscellaneous

At December 31, 2007, \$986.7 million of Mortgage Securities were outstanding. This amount includes \$478.7 million of non-transferable Mortgage Securities which were issued in order to provide the benefit of the lien of the Mortgage to secure other of our debt obligations.

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We and the underwriters for the offering named below (the Underwriters) have entered into an underwriting agreement with respect to the Offered Bonds. Subject to certain conditions, each Underwriter has severally agreed to purchase the principal amount of Offered Bonds indicated in the following table.

Underwriter	Principal Amount of Offered Bonds
UBS Securities LLC	\$ 62,500,000
BNY Capital Markets, Inc.	62,500,000
Goldman, Sachs & Co.	62,500,000
Banc of America Securities LLC	18,750,000
KeyBanc Capital Markets Inc.	18,750,000
Wedbush Morgan Securities Inc.	12,500,000
Wells Fargo Securities, LLC	12,500,000
Total	\$ 250,000,000

The Underwriters are committed to take and pay for all of the Offered Bonds being offered, if any are taken.

Offered Bonds sold by the Underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this Prospectus Supplement. Any Offered Bonds sold by the Underwriters to securities dealers may be sold at a discount from the initial public offering price of up to 0.40% of the principal amount of Offered Bonds. Any such securities dealers may resell any Offered Bonds purchased from the Underwriters to certain other brokers or dealers at a discount from the initial public offering price of up to 0.25% of the principal amount of Offered Bonds. If all the Offered Bonds are not sold at the initial offering price, the Underwriters may change the offering price and the other selling terms.

We expect that the delivery of the Offered Bonds will be made against payment therefore on or about the closing date specified on the cover of this prospectus supplement, which will be the fifth business day following the date of pricing of the Offered Bonds (this settlement cycle being referred to as T + 5). Under Rule 15c6-1 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Offered Bonds on the date of pricing of the Offered Bonds or the next succeeding two business days will be required, by virtue of the fact that the Offered Bonds initially will settle in T + 5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Offered Bonds who wish to trade Offered Bonds on the date of pricing of the Offered Bonds or the next succeeding business days until the closing of the offering should consult their own advisor.

The Offered Bonds are a new issue of securities with no established trading market. We have been advised by the Underwriters that the Underwriters intend to make a market in the Offered Bonds but they are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the

trading market for the Offered Bonds or that an active public market for the Offered Bonds will develop. If any active public trading market for the Offered Bonds does not develop, the market price and liquidity of the Offered Bonds may be adversely affected. See Risk Factors .

From the date of this prospectus supplement and continuing to and including the later of (i) the completion of the distribution of the Offered Bonds (but in no event shall such period exceed 90 days from the delivery of the Offered Bonds) and (ii) the delivery of the Offered Bonds, we have agreed, subject to certain exceptions, not to offer, sell, contract to sell or otherwise dispose of any debt securities substantially similar to the Offered Bonds, without the prior written consent of the representatives of the Underwriters.

In connection with the offering of the Offered Bonds, the Underwriters may purchase and sell Offered Bonds in the open market. These transactions may include short sales, stabilizing transactions

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and purchases to cover positions created by short sales. Short sales involve the sale by the Underwriters of a greater number of Offered Bonds than they are required to purchase in the offering of the Offered Bonds. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Offered Bonds while the offering of the Offered Bonds is in progress.

The Underwriters also may impose a penalty bid. This occurs when a particular Underwriter repays to the Underwriters a portion of the underwriting discount received by it because the representatives have repurchased Offered Bonds sold by or for the account of such Underwriter in stabilizing or short covering transactions.

These activities by the Underwriters may stabilize, maintain or otherwise affect the market price of the Offered Bonds. As a result, the price of the Offered Bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

We estimate that our share of the total expenses related to the offering of the Offered Bonds, excluding underwriting discounts and commissions, will be approximately \$650,000.

We have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Sales of the Offered Bonds by BNY Capital Markets, Inc. will be effected through Broadpoint Capital, Inc., as its distribution agent.

Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various financial advisory, lending and investment banking services for us, for which they received or will receive customary fees and expenses.

LEGAL MATTERS

The validity of the Offered Bonds and certain other matters will be passed upon for Avista by Dewey & LeBoeuf LLP, counsel to Avista, and Marian M. Durkin, Esq., Senior Vice President, General Counsel and Chief Compliance Officer of Avista. The validity of the Offered Bonds and certain other matters will be passed upon for the Underwriters by Latham & Watkins LLP, Los Angeles, California. In giving their opinions, Dewey & LeBoeuf LLP and Latham & Watkins LLP may rely as to matters of Washington, Idaho, Montana and Oregon law upon the opinion of Marian M. Durkin, Esq.

EXPERTS

The consolidated financial statements incorporated in this prospectus supplement and the accompanying prospectus by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2007 and the effectiveness of Avista Corporation's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports (which reports (1) express an unqualified opinion on the financial statements and include an explanatory paragraph referring to certain changes in accounting and presentation resulting from the impact of recently adopted accounting standards and (2) express an unqualified opinion on the effectiveness of internal control over financial reporting), which are incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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PROSPECTUS

AVISTA CORPORATION

Debt Securities

**Preferred Stock
(no par value)**

**Common Stock
(no par value)**

Avista Corporation may offer these securities from time to time on terms and at prices to be determined at the time of sale. The supplement to this prospectus relating to each offering will describe the specific terms of the securities being offered, as well as the terms of the offering and sale including the offering price.

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

Outstanding shares of Avista Corporation's common stock are listed on the New York Stock Exchange under the symbol AVA. New shares of common stock will also be listed on the NYSE. Like the outstanding shares of common stock, the new shares will be issued and will trade with the related preferred share purchase rights.

See Risk Factors on page 3 to read about certain factors you should consider before investing in the securities.

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 December 11, 2006.

This prospectus incorporates by reference important business and financial information about Avista Corporation 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**

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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. 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 terms we, us or Avista or other similar terms mean