AVISTA CORP
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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not offers to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated November 14, 2005.

Prospectus Supplement to Prospectus dated May 19, 2004.

$100,000,000

Avista Corporation

First Mortgage Bonds, % Series due

Our First Mortgage Bonds, % Series due (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 June 1, 2006. The Offered Bonds will mature on , , 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 .

See Risk Factors beginning on page S-3 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	%	$
Underwriting discount	%	$
Proceeds, before expenses, to Avista	%	$

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from , 2005 and must be paid by the purchasers if the notes are delivered after , 2005.

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 , 2005.

Joint Book-Running Managers

Goldman, Sachs & Co. **Lehman Brothers**

Co-Managers

A.G. Edwards **BNY Capital Markets, Inc.**

Prospectus Supplement dated , 2005.

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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Prospectus Supplement

Prospectus

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.

RISK FACTORS

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 referred to below. Certain other risks and uncertainties are listed under Safe Harbor For Forward-Looking Statements.

Our results of operations, financial condition and cash flows can be significantly affected by weather.

Weather has a significant impact on our utility operations, both with respect to customer demand and resulting operating revenues (primarily heating requirements in the winter and cooling requirements in the summer) and electric resource costs (primarily the availability of hydroelectric generation). Our utility operation normally experiences its highest retail (electric and natural gas) energy sales during the heating season in the first and fourth quarters of the year. Our utility operation also experiences high electricity demand for air conditioning during the summer (third quarter). In general, warmer weather in the heating season and colder weather in the cooling season will have a negative effect on our results of operations and cash flows. In addition, a reduction in precipitation will decrease our hydroelectric generation capability and have a negative effect on our results of operations and cash flows. Including the forecast for 2005, hydroelectric generation has been below normal for 5 of the past 6 years. We cannot determine if this trend of lower than normal hydroelectric generation will continue in the future. Regional precipitation and snowpack conditions can also have a significant effect on the wholesale price of electricity.

We are subject to the risk that regulators will not grant appropriate recovery of our costs and provide a reasonable rate of return for our shareholders.

We regularly review the need for electric and natural gas rate changes in each state in which we provide service. General rate increases granted since 2002 have been important steps in our financial recovery by improving our results of operations, financial condition and cash flows. We intend to continue to focus on improving earnings and operating cash flows while working to restore an overall corporate investment grade credit rating. We anticipate that part of this process will involve periodically filing for general rate increases with regulatory agencies to recover our costs and provide a reasonable return to our shareholders. If regulators were to grant substantially lower rate increases than we request in the future, it could have a negative effect on our results of operations, financial condition and cash flows, which could result in future downgrades to our credit ratings or prevent us from improving our credit ratings.

Our deferred power and natural gas costs are subject to regulatory review; costs in excess of levels recovered in base rates reduce cash flows and it will take several years to recover current balances of deferred costs.

We defer the recognition in the income statement of certain power and natural gas costs that are in excess of the level currently recovered from our retail customers as authorized by the Washington Utilities and Transportation Commission (WUTC), the Idaho Public Utilities Commission (IPUC) and the Oregon Public Utility Commission (OPUC). These excess power and natural gas costs are recorded as deferred charges on our consolidated balance sheet with the opportunity for recovery through future retail rates. These deferred power and natural gas costs are subject to review by the WUTC, IPUC and OPUC, as applicable, for prudence and as such certain deferred costs may be disallowed by the respective regulatory agencies.

Despite the opportunity to eventually recover a substantial portion of power and natural gas costs in excess of the levels currently recovered from retail customers, our cash flows are negatively affected in the periods in which these costs are paid.

Factors that could cause our costs to exceed the levels currently recovered from our customers include, but are not limited to, higher prices in wholesale markets combined with an increased need to purchase energy in the wholesale markets. Factors beyond our control that could result in an increased need to purchase energy in the wholesale markets include, but are not limited to, increases in demand (either due to weather or customer growth), low availability of hydroelectric resources, outages at generating facilities and failure of third parties to deliver on energy or capacity contracts.

We currently expect that the recovery of current balances of deferred power and natural gas costs could take several years.

We are subject to the commodity price risk, credit risk and other risks associated with energy markets.

Both of our energy-related businesses, Avista Utilities and Avista Energy, are subject to electric and natural gas commodity price risk. Price risk is, in general, the risk of fluctuation in the market price of the commodity needed, held or traded. Changes in wholesale energy prices can affect, among other things, the market value of derivative assets and liabilities and unrealized gains and losses, as well as the cash requirements to purchase electricity and natural gas for retail customers or wholesale obligations. In the case of electricity, prices can be affected by the adequacy of generating reserve margins, scheduled and unscheduled outages of generating facilities, availability of streamflows for hydroelectric generation, the price and availability of fuel for thermal generating plants, and disruptions of or constraints on transmission facilities, among other things. Natural gas prices are affected by a number of factors, including but not limited to, the adequacy of North American production, the level of imports, the level of inventories, global energy markets, and the availability of pipeline capacity to transport natural gas from region to region. In addition, oil prices can influence natural gas prices, because of the fuel-switching capabilities of certain energy users. Demand changes caused by variations in the weather and other factors can also affect market prices. Any combination of these factors that results in a shortage of energy generally causes the market price of power to move upward.

Increasing energy commodity prices, particularly with respect to natural gas, have a significant effect on liquidity for both Avista Utilities and Avista Energy. Avista Utilities has regulatory mechanisms in place that provide for the deferral and recovery of the majority of its power and natural gas supply costs. However, if current prices hold or increase, deferral balances will increase, which will negatively affect our cash flow and liquidity until such costs are recovered from customers.

Avista Utilities and Avista Energy are also subject to credit risk. Credit risk relates to the losses that we would incur as a result of non-performance by counterparties of their contractual obligations to deliver energy or make financial settlements. We often extend credit to counterparties and customers and we are exposed to the risk that we may not be able to collect amounts owed to us. Credit risk includes the risk that a counterparty may default due to circumstances relating directly to it, and also the risk that a counterparty may default due to circumstances that relate to other market participants that have a direct or indirect relationship with such counterparty. Should a counterparty, customer or supplier fail to perform, we may be required to replace existing contracts with contracts at then-current market prices or to honor the underlying commitment.

Avista Utilities and Avista Energy are also subject to liquidity risk resulting from the exposure that our counterparties perceive with respect to the possible non-performance by us of our physical and financial energy contracts. These counterparties may seek assurances of performance from us in the form of letters of credit, prepayment or cash deposits, and, in the case of Avista Energy, parent company (Avista Capital) performance guarantees. In periods of price volatility, the level of exposure can change significantly, with the result that sudden and significant demands may be made against our capital resource reserves (credit facilities and cash).

Avista Energy has concentrations of suppliers and customers in the electric and natural gas industries including but not limited to, electric utilities, natural gas distribution companies, and other energy marketing and trading companies. In addition, Avista Energy has concentrations of credit risk related to geographic location, as Avista Energy operates in the western United States and western Canada. These concentrations of counterparties and concentrations of geographic location may negatively impact Avista Energy s overall exposure to credit risk, because the counterparties may be similarly affected by changes in economic, regulatory or other conditions.

Our commodity trading, marketing and risk management activities may increase the volatility in our results of operations; we cannot, and do not attempt to, fully hedge our assets or positions against changes in commodity prices; and our hedging procedures may not work as planned.

Avista Energy engages in resource management activities, as well as commodity trading and marketing. These activities include entering into financial and physical derivative transactions, and taking speculative positions on future price movements, within established risk management policies. Avista Energy is required by applicable accounting principles to record all derivatives on our consolidated balance sheet at estimated fair value. Changes in the estimated fair value of derivatives are immediately recognized in earnings unless they are designated as hedges of forecasted transactions. Changes in the estimated fair value of derivatives accounted for as cash flow hedges of forecasted transactions are deferred and recorded as a component of accumulated other comprehensive income (loss) until the hedged transactions occur and are recognized in earnings. Most derivative contracts are marked-to-market and changes in their value, brought upon by fluctuations in the underlying commodity prices, flow through our consolidated statements of income. As a result, we are unable to predict the impact that Avista Energy s trading, energy marketing and resource management activities may have on our results of operations or financial condition.

To reduce financial and economic exposure related to commodity price fluctuations, Avista Utilities and Avista Energy routinely enter into contracts to hedge a portion of our purchase and sale commitments for electricity and natural gas, as well as our inventories of natural gas. As part of this strategy, we routinely utilize derivative instruments, such as forwards, futures, swaps and options traded in the over-the-counter markets or on exchanges. However, we do not always cover the entire exposure of our assets or our positions to market price volatility and the coverage will vary over time. To the extent Avista Utilities or Avista Energy have unhedged positions, or if our hedging positions do not work as planned, fluctuating commodity prices could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our risk management procedures may not prevent losses.

Avista Utilities and Avista Energy have risk management policies and control procedures designed to measure and mitigate energy market risks. However, these policies and procedures cannot prevent material losses in all possible situations or from all potential causes. Included in Avista Energy s risk management policies are value-at-risk (VAR) limits and systematic measurement procedures derived from historic price behavior. VAR measures the expected portfolio loss under hypothetical adverse price movements over a given time interval within a given confidence level. Losses could exceed the VAR predictive amounts if prices deviate significantly from their historic patterns and in cases when actual events fall into the extreme end of the VAR confidence interval. In addition, continuing trends of small losses that may be individually less than VAR limits may cumulatively become significant. As a result of these and other factors, there can be no assurance that our risk management procedures will prevent losses that could negatively affect our results of operations, financial condition and cash flows.

Increased future capital expenditures may negatively affect our liquidity.

Forecasted increases in demand, primarily due to customer growth, as well as ongoing environmental compliance requirements will require us to make significant capital investments in our generation, transmission and distribution systems. In addition, existing utility plant in service periodically needs to be replaced or upgraded. To the extent that internal cash generation is insufficient to meet our capital expenditure needs, we will need to obtain external financing through the issuance of securities, which could include debt and equity securities. This could increase debt levels and debt service costs, which could have a negative effect on our operating results, financial condition and cash flows and our credit ratings until such costs are recovered from customers.

We need to maintain adequate credit with banks.

We need to maintain access to adequate levels of credit with our banks. We currently have in place a committed line of credit in the amount of $350.0 million, which is scheduled to expire in December 2009. We cannot predict whether we will have access to credit beyond the expiration date. The line of credit contains customary covenants and default provisions. In the event of default, it would be difficult for us to obtain financing on any reasonable terms to pay creditors or fund operations, and we would likely be prohibited from paying dividends on our common stock.

Our subsidiary, Avista Energy also needs to maintain adequate levels of credit with its banks and currently has a $145.0 million committed line of credit, which is scheduled to expire in July 2007. We cannot predict whether Avista Energy will have access to credit after the expiration of its current line of credit. Avista Energy s credit agreement contains customary covenants and default provisions, including but not limited to, covenants to maintain minimum net working capital and minimum net worth , as well as a covenant limiting the amount of indebtedness that the co-borrowers may incur. The credit agreement also contains covenants and other restrictions related to Avista Energy s trading limits and positions, including but not limited to, VAR limits, restrictions with respect to changes in risk management policies or volumetric limits, and limits on exposure related to hourly and daily trading of electricity. These covenants, certain counterparty agreements and current market liquidity conditions result in Avista Energy maintaining certain levels of cash and therefore effectively limit the amount of cash dividends that are available for distribution to Avista Capital and ultimately Avista Corp. If Avista Energy were unable to continue to obtain credit from banks or other lenders, Avista Energy would likely not have sufficient liquidity to meet its obligations.

Any default on the line of credit or other financing arrangements of Avista Corp. or any of its significant subsidiaries (including Avista Energy) could result in cross-defaults to other agreements of such entity, and/or to the line of credit or other financing arrangements of any other of such entities, and could induce vendors and other counterparties to demand collateral.

A downgrade in our credit rating could limit our ability to obtain financing.

Our credit ratings were downgraded during the fourth quarter of 2001 resulting in an overall corporate credit rating that is below investment grade. The downgrades were due to liquidity concerns primarily related to the significant amount of purchased power and natural gas costs incurred and the resulting increase in debt levels and debt service costs. We continue to work towards restoring an overall corporate investment grade credit rating. However, any future downgrades could limit our ability to issue debt securities or obtain other financing at reasonable interest rates. In addition, future downgrades could require us to provide letters of credit and/or collateral to lenders and counterparties.

An increase in interest rates could negatively affect our future results of operations and cash flows.

We currently have a significant amount of debt maturing in 2007 and 2008 (approximately $500 million). Our current forecasts indicate that we will need to issue new securities to fund substantially all of the maturing debt. We have entered into forward-starting interest rate swap agreements to effectively lock in current market fixed interest rates at that time, which were relatively low compared to historical interest rates, for $200 million of forecasted debt issuances. However, with respect to the remaining debt that we expect to issue to fund maturing debt, rising interest rates could have a negative effect on our future results of operations and cash flows.

We are subject to various operational and event risks, which are common to the utility industry.

Avista Utilities, our regulated utility operation, is subject to operational and event risks including, among others, increases or decreases in load demand, blackouts or disruptions to transmission or transportation systems, fuel quality specifications, forced outages at generating plants and disruptions to information systems and other administrative tools required for normal operations.

We also have exposure to natural disasters and terrorism threats that can cause physical damage to our property, requiring repairs to restore utility service.

We may not be able to relicense our hydroelectric facilities at a cost-effective level with reasonable terms and conditions.

We operate six hydroelectric plants on the Spokane River, and five of these (Long Lake, Nine Mile, Upper Falls, Monroe Street and Post Falls) are under one Federal Energy Regulatory Commission (FERC) license and referred to herein as the Spokane River Project. The sixth, Little Falls, is operated under separate Congressional authority and is not licensed by the FERC. The license for the Spokane River Project expires on August 1, 2007; we filed our license application with the FERC in July 2005. We have requested the FERC to consider a license for Post Falls that is separate from the other four hydroelectric plants. This is due to the fact that Post Falls presents more complex issues that may take longer to resolve than those dealing with the rest of the Spokane River Project. The FERC may impose certain environmental, operating and other conditions in connection with the new licenses that could result in significant capital expenditures, higher operating costs and/or reduced hydroelectric generation capability. We plan to request regulatory approval to recover these costs. However, we cannot estimate the magnitude of these costs or provide certainty that they will be recovered through rate increases. Failure to recover these costs from customers could have a negative effect on our results of operations, financial condition and cash flows.

We are currently the subject of several regulatory proceedings and named in multiple lawsuits with respect to our participation in Western energy markets. We cannot predict the outcome of these matters.

Legal and Regulatory Proceedings in Western Power Markets

Avista Energy and Avista Utilities are involved in a number of legal and regulatory proceedings and complaints with respect to power markets in the western United States. Most of these proceedings and complaints relate to the significant increase in the spot market price of energy in western power markets in 2000 and 2001, which allegedly contributed to or caused unjust and unreasonable prices. These proceedings and complaints include, but are not limited to, refund proceedings and hearings in California and the Pacific Northwest, market conduct investigations by the FERC (including a specific investigation of Avista Utilities and Avista Energy), and complaints and cross-complaints filed by various parties with respect to alleged misconduct by other parties in western power markets. As a result of these proceedings and complaints, certain parties have asserted claims for significant refunds and damages from Avista Energy and Avista Utilities, which could result in a negative impact on our results of operations and cash flows. Avista Energy and Avista Utilities have joined other parties in opposing these refund claims and complaints for damages.

Market Conduct Investigations

As a result of certain revelations about alleged improper practices engaged in by Enron Corporation and certain of its affiliates, the FERC initiated investigations in February 2002 of Avista Corp. doing business as Avista Utilities, Avista Energy and other unrelated parties. Avista Utilities and Avista Energy cooperated with the FERC investigations by providing requested documents and other information. Several parties filed documents with the FERC in March 2003 alleging improper market conduct by various parties, including Avista Utilities and Avista Energy, and requesting refunds and other relief. Although in 2004 the FERC approved a finding that, among other things, we engaged in no market manipulation, various parties including state agencies requested rehearing with the FERC. The FERC denied the rehearing requests and the parties have appealed to the United States Court of Appeals for the Ninth Circuit.

Securities Litigation

There has also been a class action shareholder lawsuit filed against us. In their complaint, the plaintiffs assert violations of the federal securities laws in connection with alleged misstatements and omissions of material fact in documents filed pursuant to the Securities Exchange Act of 1934, as amended. In particular, the plaintiffs allege that we did not have adequate risk management processes, procedures and controls supporting our activities in the purchase and sale of electricity and natural gas. The plaintiffs further allege that we failed to disclose that we engaged in unlawful energy trading practices and that we manipulated western power markets. The plaintiffs assert that alleged misstatements and omissions have occurred in our filings with the SEC and other information made publicly available by us, including press releases. We filed a motion to dismiss this complaint, which was denied. In November 2004, we filed our answer denying the plaintiffs allegations. In June 2005, we filed a motion for reconsideration of our earlier motion to dismiss this complaint, based, in part, on a recent United States Supreme Court decision with respect to the pleading requirements surrounding a sufficient showing of loss causation. On October 19, 2005, the Court granted our motion for reconsideration and granted our motion to dismiss. The order to dismiss was issued without prejudice. On November 10, 2005, the plaintiffs amended and refiled their complaint.

We have several contingent liabilities, including, but not limited to, environmental matters.

The matters discussed below are the subject of ongoing litigation, mediation, investigation and/or negotiation. We cannot predict the ultimate outcome or potential impact of any particular issue, including the extent, if any, of insurance coverage or the extent, if any, that amounts payable by us may be recoverable through the ratemaking process.

Lake Coeur d Alene Matter

We are liable for compensation (not yet determined as to amount) for the use of portions of the bed and banks of Lake Coeur d Alene and the St. Joe River, which were determined to be property of the Coeur d Alene Tribe of Idaho. We are engaged with the Tribe in discussions with respect to past and future compensation (which may include interest) for use of the portions of the bed and banks of the Lake that are owned by the Tribe. If the parties cannot agree on the amount of compensation, the matter could result in litigation.

Environmental Matters

We are subject to environmental regulation by federal, state and local authorities. Environmental issues include contamination of certain parcels of land that we currently own, have formerly owned or have used as a customer, contamination of certain portions of the Spokane River as well as the levels of dissolved gas in waters downstream of our hydroelectric facilities and the resulting impact on free ranging fish.

Colstrip Litigation

A lawsuit was filed against the owners of the Colstrip Generating Project (Colstrip). We have a 15 percent ownership interest in units 3 and 4 of Colstrip, which is located in southeastern Montana. The plaintiffs allege damages to buildings as a result of rising ground water as well as damages from contaminated waters leaking from the lakes and ponds of Colstrip. The plaintiffs are seeking punitive damages, an order by the court to remove the lakes and ponds and the forfeiture of all profits earned from the operation of Colstrip.

Montana Hydroelectric Litigation

Further, a lawsuit was filed in Montana against all private owners of hydroelectric dams in Montana, including Avista Corp., alleging that the hydroelectric facilities are located on state-owned riverbeds and the owners have never paid compensation to the state s public school trust fund. The lawsuit was originally filed by private parties and was subsequently joined by other public parties, including the Attorney General of the State of Montana (Montana AG). Our motion to dismiss the Montana AG s complaint was denied, citing, among other things, that the FERC does not have exclusive jurisdiction over this matter. Subsequently, the Montana AG and defendants have filed various motions and responses, including a motion for summary judgment. In June 2005, we moved for leave to amend our complaint to add two causes of action relating to breach of contract and negligent misrepresentations arising out of our Clark Fork Settlement Agreement that was entered in 1999 with the State of Montana relating to the relicensing our Noxon Rapids Hydroelectric Generating Project. On June 28, 2005, the Montana State Court heard the motion for summary judgment of the Montana AG and took the matter under advisement.

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 see their Offered Bonds or the price at which the bondholders will be able to see 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 future financial performance, capital expenditures, dividends, capital structure and other financial items, and assumptions underlying them (many of which are based, in turn, upon further assumptions), as well as strategic goals and objectives and plans for future operations. 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 other than statements 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, expe predicts, and similar expressions.

All forward-looking statements are subject to a variety of risks and uncertainties and other factors, most of which are beyond our control and many of which could have a significant impact on our operations, results of operations, financial condition or cash flows and could cause actual results to differ materially from those anticipated in such statements. Such risks, uncertainties and other factors include, among others:

weather conditions, including the effect of precipitation and temperatures on the availability of hydroelectric resources and the effect of temperatures on customer demand;

the impact of state and federal regulatory decisions affecting our ability to recover costs and/or earn a reasonable return, including, but not limited to, the disallowance of previously deferred costs;

changes in wholesale energy prices that can affect, among other things, the market value of derivative assets and liabilities and unrealized gains and losses, as well as cash requirements to purchase electricity and natural gas for retail customers;

the outcome of pending regulatory and legal proceedings arising out of the western energy crisis of 2001 and 2002, and including possible retroactive price caps and resulting refunds;

changes in the utility regulatory environment in the individual states and provinces in which we operate as well as the United States and Canada in general, which can impact allowed rates of return, financings, or industry and rate structures;

the outcome of legal proceedings and other contingencies concerning us or affecting directly or indirectly our operations;

the potential effects of any legislation or administrative rulemaking passed into law, including the Energy Policy Act of 2005 which was passed into law in August 2005;

the impact from the potential formation of a Regional Transmission Organization;

wholesale and retail competition (including, but not limited to, electric retail wheeling and transmission costs);

volatility and illiquidity in wholesale energy markets, including the availability and prices of purchased energy and demand for energy sales;

changes in global energy markets that can affect, among other things, the price of natural gas purchased for retail customers and purchased as fuel for electric generation;

the ability to relicense the Spokane River Project at a cost-effective level with reasonable terms and conditions;

unplanned outages at any generating facilities owned by us;

unanticipated delays or changes in construction costs with respect to present or prospective facilities;

natural disasters that can disrupt energy delivery as well as the availability and costs of materials and supplies and support services;

blackouts or large disruptions of transmission systems, which can have an impact on our ability to deliver energy to customers;

the potential for future terrorist attacks, particularly with respect to utility plant assets;

changes in the long-term climate of the Pacific Northwest, which can affect, among other things, customer demand patterns and the volume and timing of streamflows to hydroelectric resources;

changes in future economic conditions in our service territory and the United States in general, including inflation or deflation and monetary policy;

changes in industrial, commercial and residential growth and demographic patterns in our service territory;

the loss of significant customers and/or suppliers;

failure to deliver on the part of any parties from which we purchase and/or sell capacity or energy;

changes in the creditworthiness of customers and energy trading counterparties;

our ability to obtain financing through the issuance of debt and/or equity securities, which can be affected by various factors including our credit ratings, interest rate fluctuations and other capital market conditions;

the impact of any potential change in our credit ratings;

changes in actuarial assumptions, the interest rate environment and the actual return on plan assets with respect to our pension plan, which can impact future funding obligations, costs and pension plan liabilities;

increasing health care costs and the resulting effect on health insurance premiums paid for employees and on the obligation to provide postretirement health care benefits;

increasing costs of insurance, changes in coverage terms and the ability to obtain insurance;

employee issues, including changes in collective bargaining unit agreements, strikes, work stoppages or the loss of key executives, as well as the ability to recruit and retain employees;

- changes in rapidly advancing technologies, possibly making some of the current technology quickly obsolete;
- changes in tax rates and/or policies; and
- changes in, and compliance with, environmental and endangered species laws, regulations, decisions and policies, including present and potential environmental remediation costs.

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

THE COMPANY

General

Avista Corp., which was incorporated in the State of Washington in 1889, is an energy company engaged in the generation, transmission and distribution of energy as well as other energy-related businesses. Our corporate headquarters are in Spokane, Washington, center 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.

Avista Corp. has four business segments:

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

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

Avista Utilities

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

Avista Utilities provides electric distribution and transmission as well as natural gas distribution services in parts of eastern Washington and northern Idaho with a population of approximately 855,000. It also provides natural gas distribution service in parts of northeast and southwest Oregon with a population of approximately 465,000. At September 30, 2005, Avista Utilities supplied retail electric service to a total of approximately 333,000 customers and retail natural gas service to a total of approximately 290,000 customers across its entire service territory.

In addition to providing electric transmission and distribution services, Avista Utilities generates electricity from its generating facilities which have a total net capability of approximately 1,800 megawatts (MW). Avista Utilities owns and operates hydroelectric projects having a total net capability of approximately 980 MW, a wood-waste fueled generating station having a net capability of 50 MW, gas-fired generating facilities having a total net capability of 548 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

The Energy Marketing and Resource Management business segment includes Avista Energy, Inc. (Avista Energy) and Avista Power, LLC (Avista Power), both subsidiaries of Avista Capital.

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

Avista Power is an investor in certain generation assets, primarily its 49 percent interest in a 270-megawatt natural gas-fired combustion turbine power plant in northern Idaho. All of the output from this plant is contracted to Avista Energy through 2026.

Avista Advantage

Avista Advantage is a provider of utility bill processing, payment and information services to multi-site customers throughout North America. Avista Advantage s solutions are designed to provide multi-site companies with critical and easy-to-access information that enables them to proactively manage and reduce their facility-related expenses. Its primary product lines include consolidated billing, resource accounting, energy analysis and load profiling services.

Other

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

USE OF PROCEEDS

We will use net proceeds from the sale of the Offered Bonds primarily to repay a portion of the borrowings outstanding under our committed line of credit and for the payment of corporate obligations. As of October 31, 2005, the weighted average rate of interest on these borrowings was 4.94%.

SUMMARY FINANCIAL INFORMATION

Set forth below is certain summary unaudited consolidated financial information for the nine months ended September 30, 2005 and 2004 and audited consolidated financial information for the years ended December 31, 2004 and 2003. This financial information has been derived from the consolidated financial statements of Avista Corporation, 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.

	9 Months Ended September 30,		Year Ended December 31,	
	2005	2004	2004	2003
	(dollars in millions)			
Operating Revenues	$ 901	$ 811	$ 1,152	$ 1,123
Income from Operations	92	84	140	172
Income From Continuing Operations	20	13	36	51
Net Income	20	13	35	45

	12 Months Ended September 30,		Year Ended December 31,	
	2005	2004	2004	2003
Ratios of Earnings to Fixed Charges(1)	1.70	1.47	1.60	1.88

(1) The ratios for the years 2002, 2001 and 2000 were 1.69, 1.98 and 3.62, respectively. The ratios are computed using the consolidated earnings and fixed charges of Avista Corp. 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 and preferred trust securities, net amortization of debt expense and premium, and the interest portion of rentals.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2005 as well as our consolidated cash balance and short-term debt (including the current portion of long-term debt). The following data are unaudited and qualified in their entirety by our financial statements and other information incorporated herein by reference. The As Adjusted column reflects our issuance of the Offered Bonds, our receipt of proceeds of approximately $ million from this offering (after discounts and commissions and estimated offering expenses) and the assumed application of $85 million of the net proceeds to pay off short-term debt and the application of the balance to the payment of corporate obligations, as discussed under Use of Proceeds .

	As of September 30, 2005	
	Actual	**As Adjusted**
	(unaudited) (in millions)	
Cash and cash equivalents	$ 63.0	$ (1)
Short-term debt (including current portion of long-term debt)(2)	209.0	124.0
Current portion of preferred stock (subject to mandatory redemption)	1.7	1.7
Long-term debt(2)	844.3	944.3
Long-term debt to affiliated trusts	113.4	113.4
Preferred stock (subject to mandatory redemption)	26.3	26.3
Common equity	754.0	754.0
Total capitalization	$ 1,948.7	$ 1,963.7

(1) Includes $ million of net proceeds to be used for current needs.

(2) Long-term debt includes $530.5 million of secured debt, which includes first mortgage bonds (or debt secured by first mortgage bonds). Short-term debt includes $50.0 million of maturing secured medium-term notes and indebtedness outstanding under Avista Corp. s $350.0 million revolving credit agreement, of which $157.0 million had been borrowed and was outstanding at September 30, 2005 ($72.0 million, as adjusted). Avista Corp. has delivered $350.0 million of non-transferable first mortgage bonds to the agent bank in order to secure its obligations under the revolving credit agreement.

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 are our senior secured obligations and will rank senior in right of payment to all of our existing and future subordinated indebtedness and will rank equally with all other Mortgage Securities now or hereinafter outstanding under our Mortgage.

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 depositary, 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 $100,000,000 aggregate principal amount of Offered Bonds. The Offered Bonds will mature on , . 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 % 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 June 1, 2006. 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 Corp., at a redemption price equal to the greater of:

- 100% of the principal amount of the Offered Bonds being redeemed; and

- 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 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 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 Goldman, Sachs & Co., Lehman Brothers Inc. or, if so determined by us, any other independent investment banking institution of national standing appointed by Avista Corp. 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 Corp. and reasonably acceptable to the Mortgage Trustee.

Book-Entry Only Issuance The Depository Trust Company

DTC will act as initial securities depositary 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