

FOCUSED ENERGY

OUR STRATEGY IS SOUND

THE RESULTS ARE REAL

With a firm grounding in our traditional energy businesses, we're moving ahead in innovative new areas to create value.

Avista's utility and subsidiary operations focus on delivering superior products and services and on providing innovative solutions to business and residential customers.

We are a company focused on growth and mindful of our roots. Our people have shown great dedication, meeting the challenges of the business climate with intelligence and strength. And throughout the past year, we have faced forward, intent on our purpose.

Today, there is no looking back. A future of progress is our destination.

LETTER TO SHAREHOLDERS



> Gary G. Ely
President and Chief Executive Officer

Last year was a time of change, reflection and growth. Today, we’re moving forward with new leadership focused on the future and its considerable challenges. Our industry has never seen anything like the current, unpredictable energy markets. The technology sector has slowed, adversely affecting our unregulated subsidiaries, Avista Labs, Avista Advantage and Avista Communications. And as a shareholder, to say our stock performance is disappointing is an understatement.

Although earnings per diluted share for the corporation exceeded our 2000 budget at \$1.47, on revenues of \$7.91 billion and net income available for common stock of \$67.9 million, it was almost entirely due to Avista Energy’s contributions. We believe Avista Corp. can, and must, strike a better earnings balance.

When I first came here 30 years ago, our then-CEO, Kinsey Robinson, told me there were three reasons for our existence:

- > we provide an infrastructure to deliver goods and services to our customers with the goal of improving the standard of living in the communities we serve;
- > we strive to achieve a fair return for investors who place their trust in us and back our actions;
- > and we create an opportunity for our employees to earn a good living and reach their potential.

While the world of business has changed considerably since then, the essence of Avista’s existence remains the same. Avista Corp. knows that success is measured by our ability to balance and meet the needs of our customers, shareholders and employees. That’s been our focus for 111 years; we see no reason to waver now.

In 2000, I had the opportunity to guide Avista Energy through a significant shift in direction, one that yielded earnings well beyond target. We relied on three fundamental

“No one could call last year uneventful. But we are unshaken in our resolve. Avista Corp. will grow—with purpose and intelligence—by capitalizing on our strengths in energy, information and technology.”

Larry A. Stanley



> Larry A. Stanley
Chairman of the Board

principles in that instance, and I intend to employ a similar approach in leading Avista Corp. forward.

First, we will simplify our business. We will focus on maximizing the use of our capital and continue looking for ways to balance risks and opportunities. We will make sure our strategy is one that you can understand. And we will keep you informed of our progress.

Second, we will execute well, choosing consistent, profitable performance over occasional flashes of brilliance. Look for Avista to under-promise and over-deliver every chance we get.

Third, we will focus on what we do best: supporting our employees in operating our business units while pursuing good ideas for future growth. That’s how Avista Advantage and Avista Labs originated. Today, Avista Advantage serves more than twice as many customers as its nearest competitor. And our fuel cell developer is widely recognized for its original product design and progressive use of technology.

These three principles are putting us on the right path. And while we won’t move slowly, we will move wisely. Avista has the advantage of 2,000 dedicated employees with the intelligence and spirit we’ll need to refine our strategies and accomplish our objectives. Oliver Wendell Holmes might have had the women and men of Avista in mind when he said, “What lies behind us and what lies before us are tiny matters compared to what lies within us.”

In the pages that follow, you will find more detail about the challenges of the past year and our outlook for both our traditional and new economy businesses. My vision for the company is simply this: Avista Corp. will be a company of principles, growth and profitability.

> Gary G. Ely
President and
Chief Executive Officer

March 8, 2001

FINANCIAL AND OPERATING HIGHLIGHTS

(Thousands of Dollars Except Statistics and Per Share Amounts or as Otherwise Indicated)	2000	1999	1998
FINANCIAL RESULTS			
Operating revenues	\$ 7,911,490	\$7,904,984	\$3,683,984
Operating expenses	7,708,062	7,873,627	3,511,164
Operating income	203,428	31,357 ⁽¹⁾	172,820
Net income	91,679	26,031	78,139
Net income available for common stock	67,944	4,639	69,740
Earnings per share, basic	1.49	0.12	1.28
Earnings per share, diluted	1.47	0.12	1.28
Dividends paid per share	0.48	0.48	1.05
Book value per share	15.34	12.95 ⁽²⁾	13.67 ⁽²⁾
Average common shares outstanding	45,690	38,213	54,604
Actual common shares outstanding	47,209	50,730 ⁽²⁾	55,966 ⁽²⁾
Return on average common equity	12.9%	3.3% ⁽²⁾	9.9% ⁽²⁾
Common stock closing price	20.500	15.438	19.250
OPERATING RESULTS			
Avista Utilities			
Retail electric revenues	\$ 395,096	\$ 384,546	\$ 375,549
Retail kWh sales (millions)	8,252	8,157	7,944
Retail electric customers at year-end	313,350	309,072	305,259
Wholesale electric revenues	\$ 864,754	\$ 522,499	\$ 457,341
Wholesale kWh sales (millions)	15,807	19,778	19,215
Total natural gas revenues	\$ 224,846	\$ 187,484	\$ 193,138
Total therm sales (thousands)	595,902	658,902	712,689
Total natural gas customers at year-end	279,018	269,214	262,282
Energy Trading and Marketing			
Revenues	\$ 6,531,551	\$6,695,671	\$2,408,734
Resource costs	6,223,805	6,713,613	2,360,110
Net income (loss)	161,753	(60,739)	14,116
kWh sales (millions)	105,548	135,099	54,430
Natural gas sales (thousands of dekatherms)	309,160	775,822	424,152
Coal sales (thousands of tons)	3,514	1,638	—
Information and Technology			
Revenues	\$ 11,645	\$ 4,851	\$ 1,995
Avista Ventures			
Revenues	\$ 32,937 ⁽³⁾	\$ 122,303 ⁽³⁾	\$ 231,483
OTHER FINANCIAL AND OPERATING STATISTICS			
Total assets	\$12,563,924	\$3,713,494	\$3,253,636
Net utility plant	1,518,312	1,500,837	1,470,942
Utility capital expenditures	99,807	86,256	92,295
Total capitalization:			
Long-term debt	679,806	714,904	728,006
Preferred trust securities	100,000	110,000	110,000
Preferred stock	35,000	35,000	35,000
Preferred stock convertible to common	—	263,309	269,227
Common equity	724,224	393,499	488,034
Total Capitalization	\$ 1,539,030	\$1,516,712	\$1,630,267

(1) Operating income in 1999 includes one-time impairment and restructuring charges of \$42.9 million (before taxes).

(2) Assumes convertible preferred stock has been converted back to common stock.

(3) Revenues have decreased since 1998 due to sales of portfolio companies by Pentzer Corporation.

BUSINESS UNITS

Know what you do well. And do it.

Every one of Avista’s businesses adheres to that formula, extending our experience and inherent abilities into new markets.

AVISTA LABS

develops clean and reliable distributed power solutions, including our unique, modular fuel cell technology.

AVISTA ADVANTAGE

converts facility information into a competitive edge for multi-site businesses by giving clients more control over their costs.

AVISTA COMMUNICATIONS

brings high-speed telecommunications and highly personal customer service to western markets underserved by the competition.

AVISTA UTILITIES

provides dependable energy to more than 310,000 electric and nearly 280,000 natural gas customers in the Pacific Northwest.

AVISTA ENERGY

applies our considerable energy marketing experience throughout the West.

AVISTA POWER

develops electric generation supply for western energy markets.

AVISTA VENTURES

manages energy and technology related investments.

INNOVATIVE THINKING

FROM A PRACTICAL PERSPECTIVE

What lies ahead? New ways to provide and deliver energy; new technologies to serve our customers like never before. And the roots of this innovation lie in Avista Labs and Avista Advantage.

Avista Labs is developing fuel cell components and distributed generation systems for tomorrow's energy needs.

Avista Advantage provides visionary and proactive facility management and consulting services for a growing list of global customers.

Each business represents an innovative way to take our experiences and project them into ideas for future growth. Our customers and partners benefit from this forward thinking.



Someday, this will be just another typical home—and perhaps sooner than you think. The fuel cell prototype powering this show home in Spokane, Washington, provides reliable, efficient energy that’s easy on the environment.



POWERING TOMORROW TODAY

The commercialization of distributed energy generation could change everything. And Avista Labs is focused on providing solutions for a variety of power applications.

We’ve spent several years developing our modular, cartridge-based proton exchange membrane fuel cells and have been issued patents with more than 230 claims. In the third quarter, we delivered our latest prototype—a 3 kilowatt model—to the Houston Advanced Research Center for testing and evaluation. And by the end of the year, we’d shipped a total of 24 beta units.

Now we’re ready to accelerate our efforts.

With a fresh perspective from Avista Labs’ new Chief Executive Officer J. Michael Davis and others who have joined our senior management team, we’ve opted to broaden our scope. To make the most of our technological edge, we expect to provide both integrated fuel cell systems and key components to our target markets: end-users and other distributed generation businesses.

There’s considerable potential in fuel cell technology. We think it’s the right place for us to apply our strategic energies.



Avista Advantage looks forward—while taking the past into account. Here’s a case in point: a holdover from the old economy, service from a real person, gives us an incisive competitive advantage. Because treating customers right is a timeless standard.



ANTICIPATING TOMORROW TODAY

Overhead isn’t always fixed. Sometimes energy bills aren’t accurate, facilities aren’t efficient enough, or businesses don’t expertly negotiate their supply and maintenance contracts.

That’s where Avista Advantage comes in.

We practically invented this industry and today we lead it. Multi-site businesses readily embrace our facilities consulting, bill consolidation and cost management tools. Now, the rapid increase in energy demand—driven in large part by computer-based technology coupled with rising prices—is creating an even healthier market for Avista Advantage’s services.

Our client list continues to grow. Among those gathering data through our patented Advantage Customer Internet Site (ACIS®) are Saks, BP Amoco,

ShopKo, 24 Hour Fitness and Advance Auto. In June, we reached a landmark \$1 million in monthly savings for our clients. By year-end, we’d averaged 100,000 managed bills per month with a total annual value of \$1.1 billion.

We also completed our first round of private investment in 2000, strengthening Avista Advantage for ongoing growth. And we expanded our product offerings into new areas: telephone systems, solid waste, and repair and maintenance management.

Our new services were introduced at customer request—which tells us they like what we’re doing.

And that’s exactly the response we were hoping for.

SEE HOW EXPERIENCE PREPARES US

With a strong base in the traditional economy and a foothold in the new, we are uniquely poised to meet tomorrow’s challenges and seize new opportunities that fit our strategic objectives.

As the demand for energy increases, we are building and innovating to meet the needs of the customers and markets we serve. And our solid grounding in the energy industry means we have the experience and the infrastructure to move with agility through the continually changing marketplace.

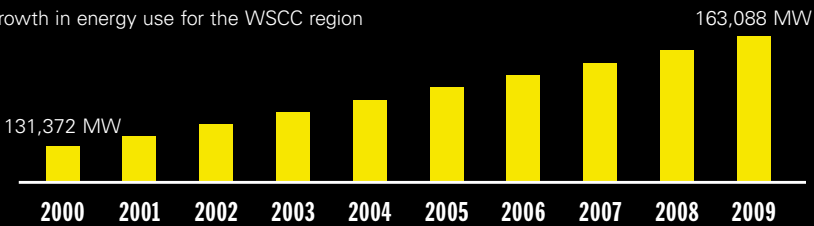
Avista Utilities, Avista Energy and Avista Power are the businesses that come directly from our roots and give us access to every segment of the energy industry, from power generation to transmission, distribution and marketing.

Avista Communications grows from our knowledge of “pipes and wires” infrastructures and customer service to offer telecommunications solutions with a network that is expanding in the West.

ENERGY DEMAND ON THE RISE

Power needs for the western United States will grow steadily over the next decade, according to the Western Systems Coordinating Council (WSCC). As demand increases, Avista Utilities will boost supply through new generation projects, continuing to deliver the level of reliability our customers have come to expect from us. Markets outside our traditional service territory will be able to draw upon supply provided through the efforts of our Avista Power unit.

Projected growth in energy use for the WSCC region



FOR THE FUTURE



Avista Communications built Spokane School District 81's network: 60 miles of high-speed, fiber-optic backbone; 8,000 computers; 53 schools; and thousands of students learning something new—one child at a time.



JOINING COMMUNITIES TODAY

Plenty of telecommunications companies want to secure business customers in the largest metropolitan areas.

Avista Communications has a different idea.

The nation's economy absolutely requires high-speed, high-quality Internet access, data and telephone services to function. But there are scores of markets with populations under 500,000 still waiting for the technology they need to compete. These are the underserved cities we target with our integrated communications solutions. And they're glad to see us coming.

Last year, we more than doubled our territory by adding six Pacific Northwest markets. And when we enter a community, we're actually there, with the resources we need—people, storefront and proprietary infrastructure—to provide the level of customer service we believe in.

Perhaps that explains how we surpassed our financial performance targets in our first market—Billings, Montana—15 months after launching our service. That's more than three months ahead of our schedule.

There's nothing we like better than over-delivering on our promises.



Our generating station near Kettle Falls, Washington, was revolutionary when it was built almost 20 years ago. And it still is. It burns wood waste—material that would otherwise end up in a landfill—to provide efficient, clean power to customers within our service territory.



FACING THE CHALLENGES TODAY

There's no getting around it—2000 was a challenging year for Avista Utilities.

While we generate much of the power we need to serve our customers, we do purchase some. And during periods when prices normally run \$20-\$40 per megawatt-hour, they spiked to \$750 per megawatt-hour and beyond. The situation caused substantial wholesale energy losses.

Although the Washington Utilities and Transportation Commission allowed us to defer \$33.9 million of our excess retail purchased-power costs in 2000, the issue of power supply remains a concern. Indeed, the shortage has affected much of the entire industry.

Given these circumstances, we took a fresh look at our utility business, bringing in new leadership and moving to bolster our generation capacity. The Coyote Springs 2 project—a natural-gas-fired combustion turbine in development near Boardman, Oregon—will generate 280 megawatts beginning in mid-2002.

In the meantime, we've locked in purchased-power contracts to help cover our supply needs through 2001 and to shield our customers—as best we can—from volatile market conditions. Because no matter what the market does, Avista Utilities will continue to focus on delivering efficient, reliable service to our customers. As we always have.

Avista Power's new Rathdrum, Idaho, project will provide 270 megawatts of power to unregulated wholesale markets—and some measure of relief for the power-hungry Northwest.



ACHIEVING SUCCESS TODAY

Now for some especially good news.

Last year, we narrowed Avista Energy's focus from national marketing to concentrate on the western region. The effect is definitive: Avista Energy exceeded its earnings target by a multiple of five.

Part of this success can be attributed to our arrangements for managing generation, transmission, production and storage facilities. Combining these physical assets with our extensive industry knowledge leads us toward the best available opportunities, balancing risk and building profit.

Avista Power plays a critical role in that approach. This subsidiary develops generation assets such as the 270 megawatt facility near Rathdrum, Idaho, a joint venture with Cogentrix Energy, Inc. of Charlotte, North Carolina.

Given the market conditions that so beset our utility—increased demand and surging prices—the wisdom of controlling generation capacity in the years to come seems obvious. And Avista Power helps move that objective forward.

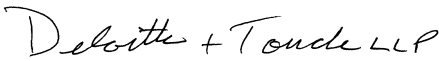
INDEPENDENT AUDITORS’ REPORT

Avista Corporation
Spokane, Washington

We have audited the consolidated balance sheets and the statements of capitalization of Avista Corporation and subsidiaries (the Company) as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2000. Such consolidated financial statements and our report thereon dated February 2, 2001 (February 26, 2001 as to Note 22), expressing an unqualified opinion (which are not presented herein) are included in Appendix A to the proxy statement for the 2001 annual meeting of shareholders. The accompanying condensed consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2000 and 1999, and the related condensed consolidated statements of income and cash flows for each of the three years in the period ended December 31, 2000, is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.

> February 2, 2001


(February 26, 2001 as to the information derived from
Note 22 to the consolidated financial statements)

Seattle, Washington

MANAGEMENT’S STATEMENT OF RESPONSIBILITY

The condensed consolidated financial statements in this summary annual report were derived from the consolidated financial statements that appear in Appendix A to the proxy statement for the 2001 annual meeting of shareholders. Management of Avista Corporation is responsible for the accuracy and completeness of the information in this summary annual report. The financial and operating information is derived from company records, and includes amounts based on judgment and estimates where necessary. Quality control practices for reporting business information in combination with the company’s internal control procedures provide adequate assurance that the summary annual report fairly and reasonably presents the company’s financial position and operating results.

The board of directors appointed Deloitte & Touche LLP, an independent accounting firm, to audit the consolidated financial statements included in the proxy statement. Their report on the condensed consolidated financial statements appears above.

> Gary G. Ely
President and
Chief Executive Officer



> Jon E. Eliassen
Senior Vice President and
Chief Financial Officer



CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(For the Years Ended December 31—Thousands of Dollars Except Per Share Amounts)	2000	1999	1998
OPERATING REVENUES	<u>\$7,911,490</u>	<u>\$7,904,984</u>	<u>\$3,683,984</u>
OPERATING EXPENSES			
Resource costs	7,320,261	7,417,940	3,021,046
Operations and maintenance	108,092	155,176	229,620
Administrative and general	139,355	127,958	129,771
Depreciation and amortization	75,941	76,474	70,547
Taxes other than income taxes	54,608	53,157	60,180
Asset impairment and restructuring charges	<u>9,805</u>	<u>42,922</u>	<u>—</u>
Total operating expenses	<u>7,708,062</u>	<u>7,873,627</u>	<u>3,511,164</u>
INCOME FROM OPERATIONS	<u>203,428</u>	<u>31,357</u>	<u>172,820</u>
OTHER INCOME (EXPENSE)			
Interest expense	(68,723)	(65,076)	(69,077)
Net gain on subsidiary transactions	770	57,531	7,937
Other income (deductions)—net	<u>29,665</u>	<u>18,959</u>	<u>9,794</u>
Total other income (expense)—net	<u>(38,288)</u>	<u>11,414</u>	<u>(51,346)</u>
INCOME BEFORE INCOME TAXES	<u>165,140</u>	<u>42,771</u>	<u>121,474</u>
INCOME TAXES	<u>73,461</u>	<u>16,740</u>	<u>43,335</u>
NET INCOME	<u>91,679</u>	<u>26,031</u>	<u>78,139</u>
DEDUCT—PREFERRED STOCK DIVIDEND REQUIREMENTS	<u>23,735</u>	<u>21,392</u>	<u>8,399</u>
INCOME AVAILABLE FOR COMMON STOCK	<u>\$ 67,944</u>	<u>\$ 4,639</u>	<u>\$ 69,740</u>
Average common shares outstanding, basic (thousands)	45,690	38,213	54,604
EARNINGS PER SHARE OF COMMON STOCK, BASIC	\$ 1.49	\$ 0.12	\$ 1.28
EARNINGS PER SHARE OF COMMON STOCK, DILUTED	\$ 1.47	\$ 0.12	\$ 1.28
Dividends paid per common share	\$ 0.48	\$ 0.48	\$ 1.05

CONDENSED CONSOLIDATED BALANCE SHEETS

(At December 31—Thousands of Dollars)	2000	1999
ASSETS		
Current energy commodity assets	\$ 7,956,229	\$ 585,913
Other current assets	1,135,471	629,943
Total utility plant—net	1,518,312	1,500,837
Investment in exchange power—net	46,981	54,123
Non-utility properties and investments—net	219,450	135,426
Non-current energy commodity assets	1,367,107	491,799
Other property and investments—net	21,885	31,051
Regulatory assets for deferred income tax	156,692	166,456
Conservation programs	18,528	44,444
Other deferred debits	123,269	73,502
TOTAL	\$12,563,924	\$3,713,494
LIABILITIES AND CAPITALIZATION		
Current energy commodity liabilities	\$ 7,834,007	\$ 594,065
Other current liabilities	1,291,200	592,914
Non-current energy commodity liabilities	1,272,374	441,372
Deferred revenues	46,498	132,975
Deferred income taxes	446,310	377,049
Non-current liabilities and other deferred credits	134,505	58,407
Capitalization:		
Long-term debt	679,806	714,904
Preferred trust securities	100,000	110,000
Preferred stock	35,000	35,000
Convertible preferred stock	—	263,309
Common stock—net (47,208,689 and 35,648,239 outstanding shares)	592,005	306,144
Retained earnings—net	132,219	87,355
Total capitalization	1,539,030	1,516,712
TOTAL	\$12,563,924	\$3,713,494

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents For the Years Ended December 31—Thousands of Dollars	2000	1999	1998
OPERATING ACTIVITIES:			
Net income	\$ 91,679	\$ 26,031	\$ 78,139
Non-cash items included in net income:			
Depreciation and amortization	75,941	76,474	70,547
Energy commodity assets and liabilities	(172,918)	(9,841)	(23,563)
Impairment of goodwill	—	33,622	—
Other	8,819	(106,712)	22,857
Effect of changes in working capital components	72,675	91,602	(23,477)
Monetization of contract	—	—	143,400
NET CASH PROVIDED BY OPERATING ACTIVITIES	76,196	111,176	267,903
INVESTING ACTIVITIES:			
Construction expenditures and other capital requirements (excluding AFUDC-equity funds)	(199,341)	(116,611)	(107,862)
Assets acquired and investments in subsidiaries	(6,223)	(51,729)	(52,780)
Proceeds from property sales and sale of subsidiary investments	105,228	148,851	16,385
Other	3,470	(7,712)	27,266
NET CASH USED IN INVESTING ACTIVITIES	(96,866)	(27,201)	(116,991)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	42,126	110,522	(108,500)
Increase (decrease) in long-term debt	169,397	(94,998)	70,000
Redemption of preferred trust securities	(10,000)	—	—
Redemption of preferred stock	—	(5,918)	(10,000)
Sale (repurchase) of common stock	2,625	(81,985)	(1,475)
Payment of dividends	(28,304)	(39,757)	(64,548)
Other	(850)	(4,634)	5,854
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	174,994	(116,770)	(108,669)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	154,324	(32,795)	42,243
CASH AND CASH EQUIVALENTS, JANUARY 1	40,041	72,836	30,593
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 194,365	\$ 40,041	\$ 72,836

FINANCIAL SUMMARY

The following is a brief discussion and analysis of financial condition and results of operations for 2000. For a more detailed analysis, please refer to Appendix A to the 2001 proxy statement.

RESULTS OF OPERATIONS

Income available for common stock increased to \$67.9 million in 2000, up from \$4.6 million in 1999. Overall diluted earnings per share for 2000 were \$1.47, compared to \$0.12 in 1999. The primary reason for the increase was earnings of \$161.8 million recorded by the Energy Trading and Marketing line of business, resulting in diluted earnings per share from this line of business of \$3.51 in 2000, compared to a loss of \$1.59 per share in 1999. These increased earnings were partially offset by losses at the other lines of business. In addition, in February 2000, the Company converted all remaining outstanding shares of its convertible preferred stock to common stock, which resulted in a one-time charge of \$21.3 million to preferred dividend requirements. Avista Utilities recorded a loss of \$1.36 per diluted share in 2000 compared to a contribution of \$1.00 in 1999. Information and Technology companies had losses totaling \$0.62 per diluted share in 2000 compared to a loss of \$0.23 in 1999. The Avista Ventures companies recorded losses of \$0.06 per diluted share in 2000 compared to a contribution of \$0.94 in 1999.

AVISTA UTILITIES

The loss attributable to common stock from Avista Utilities’ operations totaled \$62.5 million in 2000, primarily due to the \$21.3 million cost of converting convertible preferred stock to common stock and significantly higher purchased power expenses, compounded by a short position associated with wholesale trading activities in the second quarter. The results for 2000 include a \$9.0 million after-tax gain from the gain on the sale of the Centralia plant. The balance of the total after-tax gain of \$37.2 million was deferred and has been or will be returned to Avista Utilities’ customers through rates.

Wholesale sales volumes decreased 20 percent, however, sales prices averaged 107 percent higher in 2000, resulting in a \$342.3 million increase in wholesale electric revenues. Retail electric revenues increased \$10.6 million due to higher prices and greater sales volumes. Natural gas revenues increased \$37.4 million, primarily due to increased prices and higher sales volumes. Total resource costs increased \$535.4 million due to increased prices for both purchased power and natural gas. Purchased power prices averaged 132 percent higher than in 1999, while purchased natural gas prices increased approximately 58 percent. Fuel for thermal generation increased \$22.7 million due to increased generation as a result of the increased demand of power and higher costs of natural gas. The utility recorded a total of \$38.5 million in deferred power costs in Washington and Idaho related to the increased purchased power costs.

ENERGY TRADING AND MARKETING

Energy Trading and Marketing recorded earnings of \$161.8 million in 2000, primarily as a result of a well-positioned portfolio in the volatile Pacific Northwest and western energy markets. In 2000, Avista Energy redirected its focus toward a more regionally based energy marketing and trading effort in the West backed by contracts for energy commodities and by the output of specific facilities available under contract. Energy Trading and Marketing’s revenues totaled \$6.53 billion in 2000 compared to \$6.70 billion in 1999, while resource costs decreased to \$6.22 billion from \$6.71 billion in 1999. The volume of electric and natural gas purchases and sales decreased in 2000 under the more regional focus, but was offset by increased prices for both commodities.

INFORMATION AND TECHNOLOGY

This line of business includes the results of Avista Advantage, Avista Labs and Avista Communications. The loss attributable to common stock for 2000 was \$28.4 million, as these companies continued to expand their businesses, compared to a loss of \$8.6 million in 1999. At the end of 2000, Avista Corp. owned approximately 82 percent of Avista Communications.

AVISTA VENTURES

The loss attributable to common stock for 2000 from this line of business was \$2.9 million compared to earnings of \$35.8 million in 1999. Pentzer recorded transactional gains totaling \$35.9 million, after taxes, in 1999, primarily from the sales of portfolio companies. No transactional gains were recorded in 2000.

OTHER

In February 2000, the Company converted all remaining outstanding shares of its convertible preferred stock to common stock, which resulted in a one-time charge of \$21.3 million for conversion costs and accumulated and unpaid dividend costs.

During 2000, \$224.0 million of long-term debt, with interest rates between 8.000% and 8.625%, was issued, while \$44.9 million of long-term debt, with interest rates between 6.13% and 8.20%, matured. The Company repurchased \$10.0 million of its Preferred Trust Securities.

The Company’s total common equity increased \$330.7 million to \$724.2 million at the end of 2000, primarily due to the conversion of convertible preferred stock to common stock and the earnings recorded by Avista Energy. The Company’s consolidated capital structure at December 31, 2000, was 44 percent debt, 9 percent preferred securities and 47 percent common equity, compared to 47 percent debt, 10 percent preferred securities and 43 percent common equity at year-end 1999, assuming the convertible preferred stock had been converted to common stock in 1999.

BOARD OF DIRECTORS

[Erik J. Anderson](#)
Chief Executive Officer
Matthew G. Norton, Co.
Seattle, Washington
Director since 2000

[Kristianne Blake](#)
Principal
Kristianne Gates Blake, P.S.
Spokane, Washington
Director since 2000

[David A. Clack](#)
Principal
Olympic Capital Partners
Spokane, Washington
Director since 1988

[Sarah M.R. \(Sally\) Jewell](#)
Executive Vice President and
Chief Operating Officer
Recreational Equipment, Inc. (REI)
Seattle, Washington
Director since 1997

[John F. Kelly](#)
Chairman, President, and
Chief Executive Officer
Alaska Air Group
Seattle, Washington
Director since 1997

[Jessie J. Knight, Jr.](#)
President and Chief
Executive Officer
San Diego Regional
Chamber of Commerce
Director since 1999

[Eugene W. Meyer](#)
Financial Consultant
Hilton Head Island,
South Carolina
Director since 1990

[Bobby Schmidt](#)
President
Schmidt Trading, Inc.
Hilton Head Island,
South Carolina
Director since 1997

[Larry A. Stanley](#)
Chairman of the Board,
Avista Corp.
Chairman and
Chief Executive Officer,
Empire Bolt and Screw, Inc.
Spokane, Washington
Director since 1991

[R. John Taylor](#)
Chairman and Chief
Executive Officer
AIA Services Corporation
Lewiston, Idaho
Director since 1985

[Daniel J. Zaloudek](#)
President and Chief
Executive Officer
IMEDIA, Inc.
Tulsa, Oklahoma
Director since 1998

[Larry A. Stanley](#)
After 10 years of dedicated service as a member of our board of directors, Larry Stanley will retire at our annual meeting in May 2001.

In his tenure as a director, Larry has served on various board committees and has chaired the environmental and safety committee. And since November 2000, Mr. Stanley has served as chairman of the board.

Throughout his term on our board, Larry has been a tireless advocate for our company locally and regionally, and has demonstrated extraordinary commitment to our shareholders, our customers and our employees.

He will be remembered for his wise and forthright counsel and for the warmth and graciousness he extended to everyone.

CORPORATE AND BUSINESS UNIT OFFICERS

CORPORATE
Gary G. Ely
President and
Chief Executive Officer

Jon E. Eliassen
Senior Vice President
and Chief Financial Officer

David J. Meyer
Senior Vice President
and General Counsel

David A. Brukardt
Chief Communication Officer and
Vice President of Investor and
Corporate Relations

Christy M. Burmeister-Smith
Vice President and
Controller

Robert D. Fukai
Vice President
External Relations

Scott L. Morris
Vice President

Kelly O. Norwood
Vice President

Ronald R. Peterson
Vice President and
Treasurer

Terry L. Syms
Vice President and
Corporate Secretary

Roger D. Woodworth
Vice President
Corporate Development

BUSINESS UNIT
[Avista Advantage](#)
Gerry D. Crooks
President and Chief
Operating Officer

[Avista Communications](#)
Gregory D. Green
President and Chief
Executive Officer

[Avista Energy](#)
Dennis P. Vermillion
President and Chief
Operating Officer

[Avista Labs](#)
J. Michael Davis
Chief Executive Officer

Kim D. Zentz
President and Chief
Operating Officer

[Avista Power](#)
Lloyd H. Meyers
President

[Avista Utilities](#)
Scott L. Morris
President

[Avista Ventures](#)
Michael B. Cahill
President

[T.M. “Tom” Matthews](#) joined Avista Corp. on July 1, 1998, and served as chairman of the board, president and chief executive officer. Mr. Matthews left the company in December 2000. We wish Tom and his wife, Sherry, well.

CORPORATE INFORMATION

COMPANY HEADQUARTERS

Avista Corp.
1411 East Mission Avenue
Spokane, Washington 99202

AVISTA CORP. ON THE INTERNET

Financial results, stock quotes, news releases, documents filed with the Securities and Exchange Commission, and information on the company's products and services are available at Avista Corp.'s home page on the Internet. The address is <http://www.avistacorp.com>.

TRANSFER AGENT

The Bank of New York is the company's stock transfer, dividend payment and reinvestment plan agent. Answers to many shareholder questions and requests for forms are available by visiting The Bank of New York's Website at <http://stock.bankofny.com>.

Inquiries should be directed to:

The Bank of New York
Shareholder Relations Department - 11E
P.O. Box 11258
Church Street Station
New York, New York 10286-1258
Phone: (800) 642-7365
e-mail: shareowner-svcs@bankofny.com

INVESTOR INFORMATION

A copy of the company's financial reports, including the reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission, will be provided, without charge, on request to:

Avista Corp.
Investor and Corporate Relations
Attention: Coordinator
P.O. Box 3727 MSC-18
Spokane, Washington 99220-3727
Phone: (509) 495-2753

ANNUAL MEETING OF SHAREHOLDERS

Shareholders are invited to attend the company's annual meeting to be held at 10 a.m. PDT on Thursday, May 10, 2001, at Avista Corp. headquarters, 1411 East Mission Avenue in Spokane, Washington.

EXCHANGE LISTINGS

Ticker Symbol: AVA
New York Stock Exchange
Pacific Exchange

THANK YOU

Avista Corp. would like to thank the following people who kindly agreed to be photographed, including Garret Daggett and Don Walter from Avista Advantage, Mike Floener and Nathan Durbin from Avista Utilities, and Anali Weatherhead's sixth grade class at Browne Elementary School in Spokane, Washington.

This annual report contains forward-looking statements regarding the company's current expectations. These statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all factors discussed in the company's Annual Report on Form 10-K for the year 2000. The 2000 annual report is provided for investors. It is not intended for use in connection with any sale or purchase of or any solicitation of others to buy or sell securities.