

Avista Corp.

1411 East Mission PO Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170



December 17, 2009

State of Washington
Washington Utilities and Transportation Commission
1300 Evergreen Park Drive South
Olympia WA 98504

Attention: Ms. Carole Washburn, Secretary

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2009 DEC 21 AM 8:28
STATE OF WASH
UTIL. AND TRANSP
COMMISSION

Docket No. UE - 051895

We are submitting the following information in compliance with the Commission's Order No. 01 under Docket No. UE-051895 for the issuance and sale of the remaining 1,250,000 shares of the original 2,000,000 shares of common stock authorized on December 28, 2005 by the commission for a periodic offering program.

On December 16, 2009, Amended and Restated Sales Agency Agreement with BNY Mellon Capital Markets, LLC (BNYMCM) to extend the expiration date to December 16, 2012. Under the terms of the Amended and Restated Sales Agency Agreement, Avista Corp. may offer and sell up to 1,250,000 shares of its common stock, no par value, from time to time through BNYMCM, as Avista Corp.'s agent for the offer and sale of the shares. See attached Prospectus Supplement for more details on the transaction.

Please contact Damien Lysiak at (509) 495-2097 if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Diane Thoren".

Diane C. Thoren
Treasurer

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PROSPECTUS SUPPLEMENT dated December 16, 2009

(To Prospectus dated December 9, 2009)

Filed pursuant to Rule 424(b)(5). Registration No. 333-163609. A filing fee of \$1,514.63, calculated in accordance with Rule 457(r), has been transmitted to the SEC in connection with the shares of common stock offered by means of this prospectus supplement and the accompanying prospectus. The proposed maximum aggregate offering price has been calculated as 1,250,000 shares multiplied by \$21.715 per share, the average of the high and low prices of our common stock as reported in the consolidated reporting system on December 15, 2009. This paragraph shall be deemed to update the "Calculation of Registration Fee" table in the registration statement referred to above.

1,250,000 Shares

Avista Corporation

Common Stock

We may offer and sell up to 1,250,000 shares of our common stock from time to time through BNY Mellon Capital Markets, LLC ("BNYMCM"), as our agent under a sales agency agreement.

These shares will be offered at market prices prevailing at the time of sale. We will pay BNYMCM a commission equal to 1% of the sales price of all shares sold through it as our agent.

Our common stock is listed on the New York Stock Exchange under the symbol "AVA." The reported last sale price of our common stock on December 15, 2009, as reported in the consolidated reporting system, was \$21.77 per share.

See "Risk Factors" beginning on page S-1 for reference to certain factors you should consider before buying our common stock.

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.

BNY Mellon Capital Markets, LLC

The date of this prospectus supplement is December 16, 2009

This prospectus supplement and the accompanying prospectus incorporate by reference important business and financial information about Avista Corporation (sometimes called “Avista”) 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 the respective dates of these documents. We are not offering to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction in which offers are not permitted.

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RISK FACTORS

Investing in common stock 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 “Risk Factors”, “Forward-Looking Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual and quarterly reports incorporated herein by reference.

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 are based upon underlying assumptions (many of which are based, in turn, upon further assumptions). These 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, among other considerations, 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 expectations, beliefs or projections will be achieved or accomplished.

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THE COMPANY

Avista 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, center of the Inland Northwest geographic region. For more information, see the accompanying prospectus and the documents incorporated herein by reference.

PLAN OF DISTRIBUTION

Avista has entered into a sales agency agreement (the "Sales Agency Agreement"), dated as of December 16, 2009, with BNY Mellon Capital Markets, LLC ("BNYMCM") under which we may issue and sell up to 1,250,000 shares of Avista Common Stock from time to time through BNYMCM, as our agent for the offer and sale of the shares. The sales, if any, of the shares of Avista Common Stock under the Sales Agency Agreement will be made in "at the market" offerings as defined in Rule 415 of the Securities Act of 1933, including sales made directly on the New York Stock Exchange, the principal existing trading market for Avista Common Stock, or through an electronic communications network, or if we and BNYMCM agree in writing, sales made to or through a market maker or in privately negotiated transactions.

From time to time during the term of the Sales Agency Agreement, and subject to the terms and conditions set forth therein, we may deliver an issuance notice to BNYMCM specifying:

- the length of the selling period, which may not exceed 20 trading days;
- the number of shares of Avista Common Stock to be sold, which may not exceed 500,000 shares during any selling period without BNYMCM's prior written consent; and
- the minimum price below which sales may not be made.

Upon receipt of an issuance notice from Avista, and subject to the terms and conditions of the sales agency agreement, BNYMCM has agreed to use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such shares on such terms. We or BNYMCM may suspend the offering of shares Avista Common Stock at any time upon proper notice to the other, and the selling period will immediately terminate. The settlement between us and the purchaser of sales of Avista Common Stock will occur on the third trading day following the date on which the sales were made. The obligation of BNYMCM under the Sales Agency Agreement to sell shares pursuant to any issuance notice is subject to a number of conditions, which BNYMCM reserves the right to waive in its sole discretion.

We will pay BNYMCM a commission equal to 1.0% of the sales price of all shares sold through it as agent under the Sales Agency Agreement. We have also agreed to reimburse BNYMCM for its reasonable documented out-of-pocket expenses, including fees and expenses of counsel, in connection with entering into the Sales Agency Agreement and performing its obligations thereunder.

In connection with the sale of Avista Common Stock as contemplated herein, BNYMCM may be deemed to be an "underwriter" within the meaning of the Securities Act of 1933, and the compensation paid to BNYMCM may be deemed to be underwriting commissions or discounts. We have agreed to indemnify BNYMCM against certain civil liabilities, including liabilities under the Securities Act of 1933.

Sales of Avista Common Stock as contemplated herein will be settled through the facilities of The Depository Trust Company or by such other means as the Company and BNYMCM may agree upon.

The offering of Avista Common Stock pursuant to the Sales Agency Agreement will terminate upon the earliest of (1) the sale of all shares of common stock subject to the Sales Agency Agreement, (2) the third anniversary of the date of the Sales Agency Agreement, and (3) any time upon 10 days' notice. BNYMCM may terminate the Sales Agency Agreement upon one trading day's notice in certain circumstances, including bankruptcy events relating to us or any material subsidiary, our failure to maintain the listing of Avista Common Stock on the New York Stock Exchange or the occurrence of a material adverse change in Avista.

We have agreed not to directly or indirectly sell, offer to sell, contract to sell, grant any option to sell or otherwise dispose of, shares of Avista Common Stock or securities convertible into or exchangeable for shares of

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Avista Common Stock, warrants or any rights to purchase or acquire Avista Common Stock for a period beginning on the first trading day prior to the delivery of any issuance notice to BNYMCM and ending on the first trading day immediately following the last settlement date for Avista Common Stock sold pursuant to the applicable issuance notice, without the prior written consent of BNYMCM. BNYMCM may give this consent at any time without public notice. The restriction described in this paragraph does not apply to sales of:

- shares we offer or sell pursuant to the Sales Agency Agreement;
- shares we issue in connection with acquisitions;
- shares we issue upon conversion of convertible securities, or the exercise of warrants, options or other rights; or
- shares and options to purchase shares we issue, in either case, pursuant to any employee or director stock option or benefit plan, any stock purchase or ownership plan or our dividend reinvestment and direct stock purchase plan.

BNYMCM and its affiliates have provided investment banking, commercial banking, corporate trust services and other services for us from time to time for which they have received customary fees and reimbursement of expenses and may in the future provide additional services.

[An affiliate of BNYMCM is the Administrative Agent and issuing bank under our committed line of credit. The proceeds of this offering may be used to repay loans outstanding from time to time under the committed line of credit. See "Use of Proceeds" in the accompanying prospectus. Because more than ten percent of the net proceeds of this offering will be paid to members or affiliates of members of the National Association of Securities Dealers, Inc. participating in this offering, this offering will be conducted in accordance with NASD Conduct Rule 2710(h)].

LEGAL MATTERS

The validity of the shares offered hereby 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. In giving its opinion, Dewey & LeBoeuf 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 and the effectiveness of Avista Corporation and subsidiaries' 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 consolidated financial statements and include an explanatory paragraph referring to changes in accounting and presentation resulting from the impacts of recently adopted accounting standards and (2) express an unqualified opinion on the effectiveness of internal control over financial reporting) which are herein incorporated 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.

With respect to the unaudited interim consolidated financial information, which is incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in the Company's Quarterly Reports on Form 10-Q and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

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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.

See "Risk Factors" on page 2 for reference to 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 9, 2009.

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, the accompanying prospectus supplement relating to an offering of specific securities and any written communication from us or any underwriters or agents specifying the final terms of such securities. You should assume that the information contained or incorporated by reference in this prospectus, the accompanying prospectus supplement and any such written communication is accurate only as of the respective dates of these documents. We are not offering to sell any securities and we are not soliciting offers to buy any securities in any jurisdiction in which offers are not permitted.

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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 Avista Corporation, unless we state otherwise or the context indicates otherwise.

We may use this prospectus to offer from time to time:

- Secured bonds issued under a Mortgage and Deed of Trust, dated as of June 1, 1939 (the "Original Mortgage") between Avista and Citibank, N.A., as trustee (the "Mortgage Trustee"), the Original Mortgage, as amended and supplemented from time to time, being hereinafter called the "Mortgage". The secured bonds offered by this prospectus are hereinafter called "Bonds".
- Unsecured notes, debentures or other debt securities issued under an Indenture, dated as of April 1, 1998 (the "Original Indenture") between Avista and The Bank of New York Mellon, as successor trustee (the "Indenture Trustee"), the Original Indenture, as amended and supplemented from time to time, being hereinafter called the "Indenture". The unsecured notes, debentures and other debt securities offered by this prospectus are hereinafter called "Notes" and, together with the Bonds, are hereinafter called "Debt Securities".
- Shares of preferred stock, no par value (the "Preferred Stock"). The Preferred Stock offered by this prospectus is hereinafter called the "New Preferred Stock". The terms of the Preferred Stock include those stated in Avista's Restated Articles of Incorporation, as amended (the "Articles"), and its Bylaws (the "Bylaws") and those made applicable thereto by the Washington Business Corporation Act (the "Washington BCA").
- Shares of common stock, no par value (the "Common Stock"). The terms of the Common Stock include those stated in the Articles and the Bylaws and those made applicable thereto by the Washington BCA.

The shares of Common Stock offered by this prospectus, together with the Debt Securities and the New Preferred Stock, are hereafter called "Securities".

For more detailed information about the Securities, you can read the exhibits to the registration statement. Those exhibits have been either filed with the registration statement or incorporated by reference to earlier SEC filings listed in the registration statement. See "Where You Can Find More Information".

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RISK FACTORS

Investing in the Securities involves risk. You should review all the information contained or incorporated by reference in this prospectus before deciding to invest. See “Where You Can Find More Information” herein. In particular, you should carefully consider the risks and uncertainties discussed in “Risk Factors”, “Forward-Looking Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual and quarterly reports incorporated herein by reference.

In addition, you should carefully consider the risks and uncertainties discussed in the applicable prospectus supplement which relate to the specific Securities offered thereby.

AVISTA CORPORATION

Avista Corporation, which was incorporated in the Territory of Washington in 1889 (sometimes called “Avista”), 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, 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 has two reportable business segments, as follows:

- *Avista Utilities* — an operating division of Avista Corporation that comprises our regulated utility operations. Avista Utilities generates, transmits and distributes electric energy and distributes natural gas. It also engages in wholesale purchases and sales of electric and natural gas.
- *Advantage IQ* — an indirect, majority-owned subsidiary of Avista Corporation that provides sustainable utility expense management solutions, partnering with multi-site companies across North America to assess and manage utility costs and usage. Advantage IQ’s primary product lines include processing, payment and auditing of energy, telecom, waste, water/sewer and lease bills as well as strategic management services.

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.

Advantage IQ and all the other companies in non-utility businesses are subsidiaries of Avista Capital, Inc., which is a direct wholly-owned subsidiary of Avista Corporation.

USE OF PROCEEDS

Unless we indicate differently in a supplement to this prospectus, Avista intends to use the net proceeds from the issuance and sale of the Securities offered by this prospectus for any or all of the following purposes: (a) to fund Avista Utilities’ construction, facility improvement and maintenance programs, (b) to refinance maturing long-term debt, (c) to continue to fund retirements (through redemption, purchase or acquisition) of longer-term debt, (d) to repay short-term debt, (e) to accomplish other general corporate purposes permitted by law and (f) to reimburse Avista’s treasury for funds previously expended for any of these purposes.

DESCRIPTION OF THE BONDS

Avista may issue the Bonds in one or more series, or in one or more tranches within a series. The terms of the Bonds will include those stated in the Mortgage and those made part of the Mortgage by the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”). The following summary is not complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Mortgage and the Trust Indenture Act. The Bonds, together with all other debt securities outstanding under the Mortgage, are hereinafter called, collectively, the “Mortgage Securities”. Avista has filed the Mortgage, as well as a form of supplemental indenture to the Mortgage to establish a series of Bonds, as exhibits to the registration statement of which this prospectus is a part. Capitalized terms used under this heading which are not otherwise defined in this prospectus have the meanings set

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forth in the Mortgage. Wherever particular provisions of the Mortgage or terms defined in the Mortgage are referred to, those provisions or definitions are incorporated by reference as part of the statements made in this prospectus and those statements are qualified in their entirety by that reference. Sections 125 through 150 of the Mortgage appear in the first supplemental indenture to the Original Mortgage. References to article and section numbers, unless otherwise indicated, are references to article and section numbers of the Mortgage.

The applicable prospectus supplement will describe the following terms of the Bonds of each series:

- the title of the Bonds;
- any limit upon the aggregate principal amount of the Bonds;
- the date or dates on which the principal of the Bonds is payable or the method of determination thereof and the right, if any, to extend such date or dates;
- (a) the rate or rates at which the Bonds will bear interest, if any, or the method by which such rate or rates, if any, will be determined, (b) the date or dates from which any such interest will accrue, (c) the interest payment dates on which any such interest will be payable, (d) the right, if any, of Avista to defer or extend an interest payment date, (e) the regular record date for any interest payable on any interest payment date and (f) the person or persons to whom the interest on the Bonds will be payable on any interest payment date, if other than the person or persons in whose names the Bonds are registered at the close of business on the regular record date for such interest;
- any period or periods within which, or date or dates on which, the price or prices at which and the terms and conditions upon which the Bonds may be redeemed, in whole or in part, at the option of Avista;
- (a) the obligation or obligations, if any, of Avista to redeem or purchase any of the Bonds pursuant to any sinking fund or other mandatory redemption provisions or at the option of the Holder (as defined below), (b) the period or periods within which, or date or dates on which, the price or prices at which and the terms and conditions upon which the Bonds will be redeemed or purchased, in whole or in part, pursuant to such obligation, and (c) applicable exceptions to the requirements of a notice of redemption in the case of mandatory redemption or redemption at the option of the Holder;
- the terms, if any, upon which the Bonds may be converted into other securities of Avista;
- the denominations in which any of the Bonds will be issuable if other than denominations of \$1,000 and any integral multiple of \$1,000;
- if the Bonds are to be issued in global form, the identity of the depositary; and
- any other terms of the Bonds.

Payment and Paying Agents

Except as may be provided in the applicable prospectus supplement, Avista will pay interest, if any, on each Bond on each interest payment date to the person in whose name such Bond is registered (for purposes of this section of the prospectus, the registered holder of any Mortgage Security is herein referred to as a "Holder") as of the close of business on the regular record date relating to such interest payment date; provided, however, that Avista will pay interest at maturity (whether at stated maturity, upon redemption or otherwise, "Maturity") to the person to whom principal is paid.

Unless otherwise specified in the applicable prospectus supplement, Avista will pay the principal of and premium, if any, and interest, if any, on the Bonds at Maturity upon presentation of the Bonds at the corporate trust office of Citibank, N.A. in New York, New York, as paying agent for Avista. Avista may change the place of payment of the Bonds, may appoint one or more additional paying agents (including Avista) and may remove any paying agent, all at its discretion.

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Registration; Registration of Transfer

Unless otherwise specified in the applicable prospectus supplement, the Bonds will be issued only in fully registered form. The registered holder of a Bond will be treated as the owner of the Bond for all purposes under the Mortgage. Only registered holders will have rights under the Mortgage. (Mortgage, Sec. 83)

The transfer of Bonds may be registered, and Bonds may be exchanged for other Bonds, upon surrender thereof at the principal office of Citibank, N.A., as Avista's office or agency for such purposes. Avista may change such office or agency, and may designate an additional office or agency, in its discretion.

Except as otherwise provided in the applicable prospectus supplement, no service charge will be made for any registration of transfer or exchange of Bonds, but Avista may require payment of a sum sufficient to cover any tax or other governmental charge incident thereto. Avista will not be required to make any transfer or exchange of any Bonds for a period of 10 days next preceding any selection of Bonds for redemption, nor will it be required to make transfers or exchanges of any Bonds which have been selected for redemption in whole or in part or as to which Avista shall have received a notice for the redemption thereof in whole or in part at the option of the Holder.

Redemption

The applicable prospectus supplement will indicate the extent, if any, to which the Bonds will be subject to (a) general redemption at the option of Avista or (b) special redemption by the application (either at the option of Avista or pursuant to the requirements of the Mortgage) of (x) cash deposited with the Mortgage Trustee as described under "Special Provisions for Retirement of Bonds" below or (y) cash deposited with the Mortgage Trustee in connection with the release of property from the lien of the Mortgage.

Notice of redemption will be given by mail not less than 30 days prior to the date fixed for redemption. (Mortgage, Sec. 52)

If less than all the Bonds of a series are to be redeemed, the particular Bonds to be redeemed will be selected by the Mortgage Trustee by lot, according to such method as it shall deem proper in its discretion. (Mortgage, Sec. 52)

Any notice of redemption at the option of Avista may state that such redemption will be conditional upon receipt by the Mortgage Trustee, on or before the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Bonds and that if such money has not been so received, such notice will be of no force or effect and Avista will not be required to redeem such Bonds. (Mortgage, Sec. 52)

Issuance of Additional Mortgage Securities

In addition to the Bonds, other debt securities may be issued under the Mortgage. The present principal amount of debt securities which may be outstanding under the Mortgage is \$10,000,000,000. However, Avista has reserved the right to amend the Mortgage (without any consent of or other action of Holders of any Mortgage Securities now or hereafter outstanding) to remove this limitation.

Mortgage Securities of any series may be issued from time to time on the basis of:

- 70% of cost or fair value to Avista (whichever is less) of property additions which have not previously been made the basis of any application under the Mortgage and therefore do not constitute funded property after adjustments to offset property retirements;
- an equal principal amount of Mortgage Securities which have been or are to be paid, redeemed or otherwise retired and have not previously been made the basis of any application under the Mortgage; or
- deposit of cash.

Property additions generally include electric, natural gas, steam or water property acquired after May 31, 1939, but may not include property used principally for the production or gathering of natural gas. Any such property additions may be used if their ownership and operation is within the corporate purposes of Avista regardless of whether or not Avista has all the necessary permission it may need at any time from governmental authorities to operate such property additions.

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The Mortgage provides that no reduction in the book value of the property recorded in the plant account of Avista shall constitute a property retirement, otherwise than in connection with physical retirements of property abandoned, destroyed or disposed of, and otherwise than in connection with the removal of such property in its entirety from the plant account.

No Mortgage Securities may be issued on the basis of property additions subject to prior liens, unless the prior lien bonds secured thereby have been qualified by being deducted from the Mortgage Securities otherwise issuable and do not exceed 70% of such property additions, and unless the Mortgage Securities then to be outstanding which have been issued against property subject to continuing prior liens and certain other items would not exceed 15% of the Mortgage Securities outstanding.

The amount of prior liens on mortgaged property acquired after the date of delivery of the Mortgage may be increased subsequent to the acquisition of such property provided that, if any property subject to such prior lien shall have been made the basis of any application under the Mortgage, all the additional obligations are deposited with the Mortgage Trustee or other holder of a prior lien.

(Mortgage, Secs. 4 through 8, 20 through 30 and 46; First Supplemental, Sec. 2; Eleventh Supplemental, Sec. 5; Twelfth Supplemental, Sec. 1; Fourteenth Supplemental, Sec. 4; Seventeenth Supplemental, Sec. 3; Eighteenth Supplemental, Secs. 1, 2 and 6; Twenty-sixth Supplemental, Sec. 2; Twenty-ninth Supplemental, Art. II)

Net Earnings Test

In general, Avista may not issue Mortgage Securities on the basis of property additions or cash unless net earnings for 12 consecutive months out of the preceding 18 calendar months (before income taxes, depreciation and amortization of property, property losses and interest on any indebtedness and amortization of debt discount and expense) are at least twice the annual interest requirements on all Mortgage Securities at the time outstanding, including the additional issue, and on all indebtedness of prior rank.

Avista is not required to satisfy the net earnings requirement prior to the issuance of Mortgage Securities on the basis of retired Mortgage Securities unless:

- the annual interest requirements on the retired Mortgage Securities on the basis of which the new Mortgage Securities are to be issued have been excluded from a net earnings certificate delivered to the Mortgage Trustee since the retirement of such Mortgage Securities; or
- the retired Mortgage Securities on the basis of which the new Mortgage Securities are to be issued mature by their terms at a date more than two years after the date for authentication and delivery of the new Mortgage Securities and the new Mortgage Securities bear interest at a higher rate than such retired Mortgage Securities.

In general, the Mortgage permits the inclusion of the following items in net earnings:

- revenues collected or accrued subject to possible refund;
- any portion of the allowance for funds used during construction; and
- any portion of the allowance for funds used to conserve energy (or any analogous amount), which is not included in "other income" (or any analogous item) in Avista's books of account.

The Mortgage also provides that, in calculating net earnings, no deduction from revenues or other income shall be made for:

- expenses or provisions for any non-recurring charge to income of whatever kind or nature (including, without limitation, the recognition of expense due to the non-recoverability of investment); or
- provisions for any refund of revenues previously collected or accrued subject to possible refund.

In general, the interest requirement on a new series of Mortgage Securities bearing interest at a variable interest rate or rates is determined by reference to the rate or rates to be in effect at the time of the initial issuance. However, if any outstanding Mortgage Securities or prior ranking indebtedness bears interest at a variable rate or rates, the

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annual interest requirements thereon are determined by reference to the rate or rates in effect on the date next preceding the date of issue of the new series of Mortgage Securities.

Security; Structural Subordination

The Bonds, together with all other Mortgage Securities now or hereafter issued under the Mortgage, will be secured by the Mortgage, which constitutes a first mortgage lien on Avista's facilities for the generation, transmission and distribution of electric energy and the storage and distribution of natural gas and substantially all of Avista's assets (except as stated below), subject to:

- leases of minor portions of Avista's property to others for uses that do not interfere with Avista's business;
- leases of certain property of Avista not used in its utility business;
- excepted encumbrances, as defined in the Mortgage; and
- encumbrances, defects and irregularities deemed immaterial by Avista in the operation of Avista's business.

There are excepted from the lien all cash and securities (including, without limitation, securities issued by Avista's subsidiaries); merchandise, equipment, materials or supplies held for sale or consumption in Avista's operations; receivables, contracts, leases and operating agreements; electric energy, and other material or products (including gas) generated, manufactured, produced or purchased by Avista, for sale, distribution or use in the ordinary course of its business. (Mortgage, Granting Clauses)

The Mortgage contains provisions for subjecting to the lien thereof all property (other than property of the kinds excepted from such lien) acquired by Avista after the execution and delivery thereof, subject to purchase money liens and liens existing thereon at the time of acquisition and, subject to limitations in the case of consolidation, merger or sale of substantially all of Avista's assets. (Mortgage, Granting Clauses and Art. XV)

The Mortgage provides that the lien of the Mortgage shall not automatically attach to the properties of another corporation which shall have consolidated or merged with Avista in a transaction in which Avista shall be the surviving or resulting corporation. (Mortgage, Sec. 87)

The Mortgage provides that the Mortgage Trustee shall have a lien upon the mortgaged property, prior to the Mortgage Securities, for the payment of its reasonable compensation and expenses and for indemnity. (Mortgage, Secs. 92 and 97; First Supplemental, Art. XXV)

Although its utility operations are conducted directly by Avista, all of the other operations of Avista are conducted through its subsidiaries. The lien of the Mortgage does not cover the assets of the subsidiaries or the securities of the subsidiaries held by Avista. Any right of Avista, as a shareholder, to receive assets of any of its direct or indirect subsidiaries upon such subsidiary's liquidation or reorganization (and the right of the Holders of the Bonds and other creditors of Avista to participate in those assets) is junior to the claims against such assets of that subsidiary's creditors. As a result, the obligations of Avista to the holders of the Bonds and other creditors are effectively subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Avista's direct and indirect subsidiaries.

Maintenance

The Mortgage provides that Avista will cause (or, with respect to property owned in common with others, make reasonable effort to cause) the mortgaged property to be maintained and kept in good repair, working order and condition, and will cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made such repairs, renewals and replacements of the mortgaged property as, in Avista's sole judgment, may be necessary to operate the mortgaged property in accordance with common industry practice. Avista may discontinue, or cause or consent to the discontinuance of, the operation and maintenance of any of its properties if such discontinuance is, in the sole judgment of Avista, desirable in the conduct of its business. (Mortgage, Sec. 38)

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Special Provisions for Retirement of Bonds

If, during any 12-month period, any of the mortgaged property is taken by eminent domain and/or sold to any governmental authority and/or sold pursuant to an order of a governmental authority, with the result that Avista receives \$15,000,000 or more in cash or in principal amount of purchase money obligations, Avista is required to apply such cash and the proceeds of such obligations (subject to certain conditions and deductions, and to the extent not otherwise applied) to the redemption of Mortgage Securities which are, by their terms, redeemable before maturity by the application of such cash and proceeds. (Mortgage, Sec. 64; Tenth Supplemental, Sec. 4)

Release and Substitution of Property

Unless Avista is in default in the payment of the interest on any Mortgage Securities then outstanding under the Mortgage, or a Completed Default shall have occurred and is continuing, Avista may obtain the release from the lien of the Mortgage of any mortgaged property upon the deposit of cash equal to the amount, if any, that the fair value of the property to be released exceeds the aggregate of:

- (1) the principal amount of any obligations secured by purchase money mortgage upon the property released and delivered to the Mortgage Trustee;
- (2) the cost or fair value (whichever is less) of property additions which do not constitute funded property, after certain deductions and additions;
- (3) an amount equal to 10/7ths of the principal amount of Mortgage Securities that Avista would be entitled to issue on the basis of retired securities (with such entitlement being waived by operation of such release); and
- (4) the principal amount of obligations secured by purchase money mortgage upon the property released, and/or an amount in cash delivered to the trustee or other holder of a lien prior to the lien of the Mortgage.

The use of obligations secured by purchase money mortgage as a credit in connection with the release of property, as described in clauses (1) and (4) above, is subject to the following limitations:

- (1) the aggregate credit which may be used as described in clauses (1) and (4) above in respect of any property being released may not exceed 70% of the fair value of such property; and
- (2) the aggregate principal amount of such obligations described in (1) and (4) above and all other obligations secured by purchase money mortgage delivered to the Mortgage Trustee pursuant to said clauses (1) and (4) and then held as part of the mortgaged property by the Mortgage Trustee or the trustee or other holder of a prior lien shall not exceed 40% of the aggregate principal amount of outstanding Mortgage Securities.

To the extent that property so released does not constitute funded property, the property additions used to effect the release will not, in certain cases, be deemed to constitute funded property, and the waiver of the right to issue Mortgage Securities to effect the release will, in certain cases, cease to be effective as such a waiver, all upon the satisfaction of certain conditions specified in the Mortgage. The Mortgage contains similar provisions as to cash proceeds of such property. The Mortgage also contains special provisions with respect to prior lien bonds pledged and disposition of moneys received on pledged bonds secured by a prior lien. (Mortgage, Secs. 5; 31, 32, 46 through 50, 59, 60, 61, 118 and 134)

Modification

Modifications Without Consent

Avista and the Mortgage Trustee may enter into one or more supplemental indentures without the consent of any Holders for any of the following purposes:

- to evidence the succession of another corporation to Avista and the assumption by such successor of the covenants of Avista in the Mortgage and the Mortgage Securities;

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- to add additional covenants of Avista and additional defaults, which may be applicable only to the Mortgage Securities of specified series;
- to correct the description of property subject to the lien of the Mortgage or to subject additional property to such lien;
- to change or eliminate any provision of the Mortgage or to add any new provision to the Mortgage; provided, that no such change, elimination or addition shall adversely affect the interests of the Holders in any material respect;
- to establish the form or terms of Mortgage Securities of any series;
- to provide for procedures to utilize a non-certificated system of registration for all or any series of Mortgage Securities;
- to change any place or places for payment, registration of transfer or exchange, or notices to and demands upon Avista, with respect to all or any series of Mortgage Securities;
- to increase or decrease the maximum principal amount of Mortgage Securities issuable under the Mortgage;
- to make any other changes which do not adversely affect interests of the Holders in any material respect; or
- to evidence any change required or permitted under the Trust Indenture Act.

(Mortgage, Sec. 120; Twenty-sixth Supplemental Indenture, Sec. 2; Twenty-ninth Supplemental Indenture, Article II)

Modification With Consent

In general, the Mortgage, the rights and obligations of Avista and the rights of the Holders may be modified with the consent of 60% in principal amount of the Mortgage Securities outstanding, and, if less than all series of Mortgage Securities are affected, the consent also of 60% in principal amount of the Mortgage Securities of each series affected. However, no modification of the terms of payment of principal or interest, and no modification affecting the lien or reducing the percentage required for modification, is effective against any Holder without its consent. (Mortgage, Art. XVIII, Sec. 149; First Supplemental, Sec. 10)

Satisfaction and Discharge

Mortgage Securities will be deemed to have been paid for purposes of satisfaction of the lien of the Mortgage if there shall have been irrevocably deposited with the Mortgage Trustee for the payment or redemption of such Mortgage Securities:

- money in an amount which will be sufficient,
- Government Obligations, none of which shall contain provisions permitting the redemption thereof at the option of the issuer thereof, the principal of and the interest on which when due, and without regard to reinvestment thereof, will provide moneys which will be sufficient, or
- a combination of money and Government Obligations which will be sufficient,

to pay when due the principal of, premium, if any, and interest due and to become due on all outstanding Mortgage Securities on the maturity date or redemption date of such Mortgage Securities. For this purpose, "Government Obligations" include direct obligations of the government of the United States or obligations guaranteed by the government of the United States. (Mortgage, Sec. 106)

The Mortgage Trustee may, and upon request of Avista shall, cancel and discharge the lien of the Mortgage and reconvey the Mortgaged Property to Avista whenever all indebtedness secured thereby has been paid.

The right of Avista to cause its entire indebtedness in respect of the Mortgage Securities of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of conditions specified in the instrument creating such series.

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Completed Defaults

Any of the following events will constitute a “Completed Default” under the Mortgage:

- failure to pay principal of, or premium, if any, on any Mortgage Security when due;
- failure to pay interest on any Mortgage Security within sixty (60) days after the same becomes due;
- failure to pay interest on, or principal of, any qualified prior lien bonds beyond any grace period specified in the prior lien securing such prior lien bond;
- failure to perform, or breach of, any other covenants of Avista for a period of 90 days after notice to us from the Mortgage Trustee; and
- certain events relating to bankruptcy, insolvency or reorganization of Avista. (Mortgage, Secs. 44 and 65; Forty-second Supplemental Indenture, Article II)

The Mortgage Trustee may withhold notice of default (except in payment of principal, interest or funds for retirement of Mortgage Securities) if it determines that it is in the interest of the Holders. (Mortgage, Sec. 135)

Remedies

Acceleration of Maturity

If a Completed Default occurs and is continuing, the Mortgage Trustee may, and upon written request of the Holders of a majority in principal amount of Mortgage Securities then outstanding shall, declare the principal of, and accrued interest on, all outstanding Mortgage Securities immediately due and payable; provided, however, that the Holders of a majority in principal amount of outstanding Mortgage Securities may annul such declaration if before any sale of the mortgaged property:

- all agreements with respect to which default shall have been made shall be fully performed or otherwise cured; and
- all overdue interest and all reasonable expenses of the Mortgage Trustee, its agents and attorneys shall have been paid by Avista, except for the principal of any Mortgage Securities that would not have been due except for such acceleration. (Mortgage, Sec. 65; First Supplemental Indenture, Article XXV)

Possession of Mortgaged Property

Under certain circumstances and to the extent permitted by law, if a Completed Default occurs and is continuing, the Mortgage Trustee has the power to take possession of, and to hold, operate and manage, the mortgaged property, or with or without entry, sell the mortgaged property. If the mortgaged property is sold, whether by the Mortgage Trustee or pursuant to judicial proceedings, the principal of the outstanding Mortgage Securities, if not previously due, will become immediately due. (Mortgage, Secs. 66, 67 and 71)

Right to Direct Proceedings

If a Completed Default occurs and is continuing, the Holders of a majority in principal amount of the Mortgage Securities then outstanding will have the right to direct the time, method and place of conducting any proceedings to be taken for any sale of the mortgaged property, the foreclosure of the Mortgage, or for the appointment of a receiver or any other proceeding under the Mortgage, provided that such direction does not conflict with any rule of law or with the Mortgage. (Mortgage, Sec. 69)

No Impairment of Right to Receive Payment

Notwithstanding any other provision of the Mortgage, the right of any Holder to receive payment of the principal of and interest on such Mortgage Security, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such Holder. (Mortgage, Sec. 148)

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Notice of Default

No Holder may enforce the lien of the Mortgage unless such Holder shall have given the Mortgage Trustee written notice of a Completed Default and unless the Holders of 25% in principal amount of the Mortgage Securities have requested the Mortgage Trustee in writing to act and have offered the Mortgage Trustee adequate security and indemnity and a reasonable opportunity to act. (Mortgage, Sec. 79)

Remedies Limited by State Law

The laws of the various states in which the property subject to the lien of the Mortgage is located may limit or deny the ability of the Mortgage Trustee and/or the Holders to enforce certain rights and remedies provided in the Mortgage in accordance with their terms.

Concerning the Mortgage Trustee

The Mortgage Trustee has, and is subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to such provisions, the Mortgage Trustee is not under any obligation to take any action in respect of any default or otherwise, or toward the execution or enforcement of any of the trusts created by the Mortgage, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing so to do by the Holders of a majority in principal amount of the Mortgage Securities then outstanding. Anything in the Mortgage to the contrary notwithstanding, the Mortgage Trustee is under no obligation or duty to perform any act thereunder (other than the delivery of notices) or to institute or defend any suit in respect hereof, unless properly indemnified to its satisfaction. (Mortgage, Sec. 92)

The Mortgage Trustee may at any time resign and be discharged of the trusts created by the Mortgage by giving written notice to Avista and thereafter publishing notice thereof, specifying a date when such resignation shall take effect, as provided in the Mortgage, and such resignation shall take effect upon the day specified in such notice unless a successor trustee shall have previously been appointed by the Holders or Avista and in such event such resignation shall take effect immediately upon the appointment of such successor trustee. The Mortgage Trustee may be removed at any time by the Holders of a majority in principal amount of the Mortgage Securities then outstanding. (Mortgage, Secs. 100 and 101)

If Avista appoints a successor trustee and such successor trustee has accepted the appointment, the Mortgage Trustee will be deemed to have resigned as of the date of such successor trustee's acceptance. (Mortgage, Sec. 102)

Evidence of Compliance with Mortgage Provisions

Compliance with provisions of the Mortgage is evidenced by written statements of Avista's officers or persons selected or paid by Avista. In certain matters, statements must be made by an independent accountant or engineer. Various certificates and other papers are required to be filed annually and upon the happening of certain events, including an annual certificate with reference to compliance with the terms of the Mortgage and absence of Completed Defaults.

DESCRIPTION OF THE NOTES

Avista may issue the Notes in one or more series, or in one or more tranches within a series. The terms of the Notes will include those stated in the Indenture and those made part of the Indenture by the Trust Indenture Act. The following summary is not complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Indenture and the Trust Indenture Act. The Notes, together with all other debt securities outstanding under the Indenture, are hereinafter called, collectively, the "Indenture Securities". Avista has filed the Indenture, as well as a form of officer's certificate to establish a series of Notes, as exhibits to the registration statement of which this prospectus is a part. Capitalized terms used under this heading which are not otherwise defined in this prospectus have the meanings set forth in the Indenture. Wherever particular provisions of the Indenture or terms defined in the Indenture are referred to, those provisions or definitions are incorporated by reference as part of the statements made in this prospectus and those statements are qualified in their entirety by that

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reference. References to article and section numbers, unless otherwise indicated, are references to article and section numbers of the Indenture.

The applicable prospectus supplement or prospectus supplements will describe the following terms of the Notes of each series or tranche:

- the title of the Notes;
- any limit upon the aggregate principal amount of the Notes;
- the date or dates on which the principal of the Notes is payable or the method of determination thereof and the right, if any, to extend such date or dates;
- (a) the rate or rates at which the Notes will bear interest, if any, or the method by which such rate or rates, if any, will be determined, (b) the date or dates from which any such interest will accrue, (c) the interest payment dates on which any such interest will be payable, (d) the right, if any, of Avista to defer or extend an interest payment date, (e) the regular record date for any interest payable on any interest payment date and (f) the person or persons to whom interest on the Notes will be payable on any interest payment date, if other than the person or persons in whose names the Notes are registered at the close of business on the regular record date for such interest;
- any period or periods within which, or date or dates on which, the price or prices at which and the terms and conditions upon which the Notes may be redeemed, in whole or in part, at the option of Avista;
- (a) the obligation or obligations, if any, of Avista to redeem or purchase any of the Notes pursuant to any sinking fund or other mandatory redemption provisions or at the option of the Holder, (b) the period or periods within which, or date or dates on which, the price or prices at which and the terms and conditions upon which the Notes will be redeemed or purchased, in whole or in part, pursuant to such obligation, and (c) applicable exceptions to the requirements of a notice of redemption in the case of mandatory redemption or redemption at the option of the Holder;
- the denominations in which any of the Notes will be issuable if other than denominations of \$1,000 and any integral multiple of \$1,000;
- if the Notes are to be issued in global form, the identity of the depositary;
- the terms, if any, upon which the Notes may be converted into other securities of Avista; and
- any other terms of the Notes.

Payment and Paying Agents

Except as may be provided in the applicable prospectus supplement, Avista will pay interest, if any, on each Note on each interest payment date to the person in whose name such Note is registered (for the purposes of this section of the prospectus, the registered holder of any Indenture Security is herein referred to as a "Holder") as of the close of business on the regular record date relating to such interest payment date; provided, however, that Avista will pay interest at maturity (whether at stated maturity, upon redemption or otherwise, "Maturity") to the person to whom principal is paid. However, if there has been a default in the payment of interest on any Note, such defaulted interest may be payable to the Holder of such Note as of the close of business on a date selected by the Indenture Trustee which is not more than 30 days and not less than 10 days before the date proposed by Avista for payment of such defaulted interest or in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Note may be listed, if the Indenture Trustee deems such manner of payment practicable. (Indenture, Sec. 307)

Unless otherwise specified in the applicable prospectus supplement, Avista will pay the principal of and premium, if any, and interest, if any, on the Notes at Maturity upon presentation of the Notes at the corporate trust office of The Bank of New York in New York, New York, as paying agent for Avista. Avista may change the place of payment of the Notes, may appoint one or more additional paying agents (including Avista) and may remove any paying agent, all at its discretion. (Indenture, Sec. 502)

Table of Contents**Registration; Registration of Transfer**

The Notes will be issued only in fully registered form. The registered Holder of a Note will be treated as the owner of the Note for all purposes under the Indenture. Only registered Holders will have rights under the Indenture. (Indenture, Sec. 308)

Unless otherwise specified in the applicable prospectus supplement, Holders may register the transfer of Notes, and may exchange Notes for other Notes of the same series and tranche, of authorized denominations and having the same terms and aggregate principal amount, at the corporate trust office of The Bank of New York in New York, New York, as security registrar for the Notes. Avista may change the place for registration of transfer and exchange of the Notes, may appoint one or more additional security registrars (including Avista) and may remove any security registrar, all at its discretion. (Indenture, Sec. 502)

Except as otherwise provided in the applicable prospectus supplement, no service charge will be made for any transfer or exchange of the Notes, but Avista may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of the Notes. Avista will not be required to execute or to provide for the registration of transfer or the exchange of (a) any Note during a period of 15 days before giving any notice of redemption or (b) any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part. (Indenture, Sec. 305)

Redemption

The applicable prospectus supplement will set forth any terms for the optional or mandatory redemption of Notes. Except as otherwise provided in the applicable prospectus supplement with respect to Notes redeemable at the option of the Holder, Notes will be redeemable by Avista only upon notice by mail not less than 30 nor more than 60 days before the date fixed for redemption. If less than all the Notes of a series, or any tranche thereof, are to be redeemed by Avista, the particular Notes to be redeemed will be selected by such method as shall be provided for such series or tranche, or in the absence of any such provision, by such method of random selection as the Security Registrar deems fair and appropriate. (Indenture, Secs. 403 and 404)

Any notice of redemption at the option of Avista may state that such redemption will be conditional upon receipt by the paying agent or agents, on or before the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Notes and that if such money has not been so received, such notice will be of no force or effect and Avista will not be required to redeem such Notes. (Indenture, Sec. 404)

Unsecured Obligations; Structural Subordination

The Indenture is not a mortgage or other lien on assets of Avista or its subsidiaries. In addition to the Notes, other debt securities may be issued under the Indenture, without any limit on the aggregate principal amount. Each series of Indenture Securities will be unsecured and will rank pari passu with all other series of Indenture Securities, except as otherwise provided in the Indenture, and with all other unsecured and unsubordinated indebtedness of Avista. Except as otherwise described in the applicable prospectus supplement, the Indenture does not limit the incurrence or issuance by Avista of other secured or unsecured debt, whether under the Indenture, under any other indenture that Avista may enter into in the future or otherwise.

Although its utility operations are conducted directly by Avista, all of the other operations of Avista are conducted through its subsidiaries. Any right of Avista, as a shareholder, to receive assets of any of its direct or indirect subsidiaries upon the subsidiary's liquidation or reorganization (and the right of the Holders and other creditors of Avista to participate in those assets) is junior to the claims against such assets of that subsidiary's creditors. As a result, the obligations of Avista to the Holders and other creditors are effectively subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Avista's direct and indirect subsidiaries.

Satisfaction and Discharge

Any Indenture Securities, or any portion of the principal amount thereof, will be deemed to have been paid for purposes of the Indenture and, at Avista's election, the entire indebtedness of Avista in respect thereof will be

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deemed to have been satisfied and discharged, if there shall have been irrevocably deposited in trust with the Indenture Trustee or any paying agent (other than Avista):

- money in an amount which will be sufficient, or
- in the case of a deposit made before the maturity of such Indenture Securities, Eligible Obligations, which do not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Indenture Trustee or such Paying Agent, will be sufficient, or
- a combination of money and Eligible Obligations which will be sufficient,

to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Indenture Securities. For this purpose, "Eligible Obligations" include direct obligations of, or obligations unconditionally guaranteed by, the United States, entitled to the benefit of the full faith and credit thereof and certificates, depository receipts or other instruments which evidence a direct ownership interest in such obligations or in any specific interest or principal payments due in respect thereof and such other obligations or instruments as shall be specified in an accompanying prospectus supplement. (Indenture, Sec. 601)

The right of Avista to cause its entire indebtedness in respect of the Indenture Securities of any series to be deemed to be satisfied and discharged as described above will be subject to the satisfaction of conditions specified in the instrument creating such series.

The Indenture will be deemed to have been satisfied and discharged when no Indenture Securities remain outstanding thereunder and Avista has paid or caused to be paid all other sums payable by Avista under the Indenture. (Indenture, Sec. 602)

Events of Default

Any one or more of the following events with respect to a series of Indenture Securities that has occurred and is continuing will constitute an "Event of Default" with respect to such series of Indenture Securities:

- failure to pay interest on any Indenture Security of such series within 60 days after the same becomes due and payable; provided, however, that no such failure shall constitute an Event of Default if Avista has made a valid extension of the interest payment period with respect to the Indenture Securities of such series if so provided with respect to such series;
- failure to pay the principal of or premium, if any, on any Indenture Security of such series within 3 business days after its Maturity; provided, however, that no such failure will constitute an Event of Default if Avista has made a valid extension of the Maturity of the Indenture Securities of such series, if so provided with respect to such series;
- failure to perform, or breach of, any covenant or warranty of Avista contained in the Indenture for 90 days after written notice to Avista from the Indenture Trustee or to Avista and the Indenture Trustee by the Holders of at least 25% in principal amount of the outstanding Indenture Securities of such series as provided in the Indenture unless the Indenture Trustee, or the Indenture Trustee and the Holders of a principal amount of Indenture Securities of such series not less than the principal amount of Indenture Securities the Holders of which gave such notice, as the case may be, agree in writing to an extension of such period before its expiration; provided, however, that the Indenture Trustee, or the Indenture Trustee and the Holders of such principal amount of Indenture Securities of such series, as the case may be, will be deemed to have agreed to an extension of such period if corrective action is initiated by Avista within such period and is being diligently pursued;
- default under any bond, debenture, note or other evidence of indebtedness of Avista for borrowed money (including Indenture Securities of other series) or under any mortgage, indenture, or other instrument to evidence any indebtedness of Avista for borrowed money, which default (1) constitutes a failure to make any payment in excess of \$5,000,000 of the principal of, or interest on, such indebtedness or (2) has resulted in

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such indebtedness in an amount in excess of \$10,000,000 becoming or being declared due and payable prior to the date it would otherwise have become due and payable, without such payment having been made, such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 90 days after written notice to Avista by the Indenture Trustee or to Avista and the Indenture Trustee by the Holders of at least 25% in principal amount of the outstanding Securities of such series as provided in the Indenture; or

- certain events in bankruptcy, insolvency or reorganization of Avista (Indenture, Sec. 701).

Remedies

Acceleration of Maturity

If an Event of Default applicable to the Indenture Securities of any series occurs and is continuing, then either the Indenture Trustee or the Holders of not less than 33% in aggregate principal amount of the outstanding Indenture Securities of such series may declare the principal amount (or, if any of the outstanding Indenture Securities of such series are Discount Securities, such portion of the principal amount thereof as may be specified in the terms thereof) of all of the outstanding Indenture Securities of such series to be due and payable immediately by written notice to Avista (and to the Indenture Trustee if given by the Holders); provided, however, that if an Event of Default occurs and is continuing with respect to more than one series of Indenture Securities, the Indenture Trustee or the Holders of not less than 33% in aggregate principal amount of the outstanding Indenture Securities of all such series, considered as one class, may make such declaration of acceleration and not the Holders of any one such series.

At any time after such a declaration of acceleration with respect to the Indenture Securities of any series has been made, but before a judgment or decree for payment of the money due has been obtained, such declaration and its consequences will, without further act, be deemed to have been rescinded and annulled, if:

- Avista has paid or deposited with the Indenture Trustee a sum sufficient to pay
- all overdue interest, if any, on all Indenture Securities of such series;
- the principal of and premium, if any, on any Indenture Securities of such series which have become due otherwise than by such declaration of acceleration and interest, if any, thereon at the rate or rates prescribed therefor in such Indenture Securities;
- interest, if any, upon overdue interest, if any, at the rate or rates prescribed therefor in such Indenture Securities, to the extent that payment of such interest is lawful; and
- all amounts due to the Indenture Trustee under the Indenture in respect of compensation and reimbursement of expenses; and
- all Events of Default with respect to Indenture Securities of such series, other than the non-payment of the principal of the Indenture Securities of such series which has become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture. (Indenture, Sec. 702)

Right to Direct Proceedings

If an Event of Default with respect to the Indenture Securities of any series occurs and is continuing, the Holders of a majority in principal amount of the outstanding Indenture Securities of such series will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Indenture Trustee in exercising any trust or power conferred on the Indenture Trustee; provided, however, that if an Event of Default occurs and is continuing with respect to more than one series of Indenture Securities, the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all such series, considered as one class, will have the right to make such direction, and not the Holders of any one of such series; and provided, further, that (a) such direction does not conflict with any rule of law or with the Indenture, and could not involve the Indenture Trustee in personal liability in circumstances where indemnity would not, in the Indenture Trustee's sole discretion, be adequate and (b) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee which is not inconsistent with such direction. (Indenture, Sec. 712)

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Limitation on Right to Institute Proceedings

No Holder will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture or for the appointment of a receiver or for any other remedy thereunder unless:

- such Holder has previously given to the Indenture Trustee written notice of a continuing Event of Default with respect to the Indenture Securities of any one or more series;
- the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all series in respect of which such Event of Default has occurred, considered as one class, have made written request to the Indenture Trustee to institute proceedings in respect of such Event of Default and have offered the Indenture Trustee reasonable indemnity against costs and liabilities to be incurred in complying with such request; and
- for 60 days after receipt of such notice, the Indenture Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the Indenture Trustee during such 60 day period by the Holders of a majority in aggregate principal amount of Indenture Securities then outstanding.

Furthermore, no Holder of any series of Indenture Securities will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other Holders of such series. (Indenture, Sec. 707)

No Impairment of Right to Receive Payment

Notwithstanding that the right of a Holder to institute a proceeding with respect to the Indenture is subject to certain conditions precedent, each Holder will have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and interest, if any, on such Indenture Security when due and to institute suit for the enforcement of any such payment. Such rights may not be impaired or affected without the consent of such Holder. (Indenture, Sec. 708)

Notice of Default

The Indenture Trustee is required to give the Holders notice of any default under the Indenture to the extent required by the Trust Indenture Act, unless such default shall have been cured or waived, except that no such notice to Holders of a default of the character described in the third bulleted paragraph under “— Events of Default” may be given until at least 75 days after the occurrence thereof. For purposes of the preceding sentence, the term “default” means any event which is, or after notice or lapse of time, or both, would become, an Event of Default. The Trust Indenture Act currently permits the Indenture Trustee to withhold notices of default (except for certain payment defaults) if the Indenture Trustee in good faith determines the withholding of such notice to be in the interests of the Holders. (Indenture, Sec. 802)

Consolidation, Merger, Sale of Assets and Other Transactions

Avista may not consolidate with or merge into any other Person, or convey or otherwise transfer, or lease, all of its properties, as or substantially as an entirety, to any Person, unless:

- the Person formed by such consolidation or into which Avista is merged or the Person which acquires by conveyance or other transfer, or which leases (for a term extending beyond the last Stated Maturity of the Indenture Securities then outstanding), all of the properties of Avista, as or substantially as an entirety, shall be a Person organized and existing under the laws of the United States, any State or Territory thereof or the District of Columbia or under the laws of Canada or any Province thereof; and
- such Person shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest, if any, on all the Indenture Securities then outstanding and the performance and observance of every covenant and condition of the Indenture to be performed or observed by Avista.

In the case of the conveyance or other transfer of all of the properties of Avista, as or substantially as an entirety, to any person as contemplated above, Avista would be released and discharged from all obligations under

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the Indenture and on all Indenture Securities then outstanding unless Avista elects to waive such release and discharge. Upon any such consolidation or merger or any such conveyance or other transfer of properties of Avista, the successor, transferee or lessee would succeed to, and be substituted for, and would be entitled to exercise every power and right of, Avista under the Indenture. (Indenture, Secs. 1001, 1002 and 1003)

For purposes of the Indenture, the conveyance, transfer or lease by Avista of all of its facilities (a) for the generation of electric energy, (b) for the transmission of electric energy, (c) for the distribution of electric energy and/or natural gas, in each case considered alone, (d) all of its facilities described in clauses (a) and (b), considered together, or (e) all of its facilities described in clauses (b) and (c), considered together, will in no event be deemed to constitute a conveyance or other transfer of all the properties of Avista, as or substantially as an entirety, unless, immediately following such conveyance, transfer or lease, Avista owns no unleased properties in the other such categories of property not so conveyed or otherwise transferred or leased.

The Indenture will not prevent or restrict:

- any consolidation or merger after the consummation of which Avista would be the surviving or resulting entity; or
- any conveyance or other transfer, or lease, of any part of the properties of Avista which does not constitute the entirety, or substantially the entirety, thereof. (Indenture, Sec. 1004)

If Avista conveys or otherwise transfers any part of its properties which does not constitute the entirety, or substantially the entirety, thereof to another Person meeting the requirements set forth in the first paragraph under this heading, and if:

- such transferee expressly assumes the due and punctual payment of the principal of and premium, if any, and interest, if any, on all Indenture Securities then outstanding and the performance and observance of every covenant and condition of the Indenture to be performed or observed by Avista; and
- there is delivered to the Indenture Trustee an independent expert's certificate (i) describing the property so conveyed or transferred and identifying the same as facilities for the generation, transmission or distribution of electric energy or for the storage, transportation or distribution of natural gas and (ii) stating that the aggregate principal amount of the Indenture Securities then outstanding does not exceed 70% of the fair value of such property,

then Avista would be released and discharged from all obligations and covenants under the Indenture and on all Indenture Securities then outstanding unless Avista elects to waive such release and discharge. In such event, the transferee would succeed to, and be substituted for, and would be entitled to exercise every right and power of, Avista under the Indenture. (Indenture, Sec. 1005)

Modification of Indenture

Modifications Without Consent

Avista and the Indenture Trustee may enter into one or more supplemental indentures, without the consent of any Holders, for any of the following purposes:

- to evidence the succession of another Person to Avista and the assumption by any such successor of the covenants of Avista in the Indenture and in the Indenture Securities;
- to add one or more covenants of Avista or other provisions for the benefit of all Holders or for the benefit of the Holders of, or to remain in effect only so long as there shall be outstanding, Indenture Securities of one or more specified series, or one or more tranches thereof, or to surrender any right or power conferred upon Avista by the Indenture;
- to change or eliminate any provisions of the Indenture or to add any new provisions to the Indenture, provided that if such change, elimination or addition adversely affects the interests of the Holders of the Indenture Securities of any series or tranche in any material respect, such change, elimination or addition

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will become effective with respect to such series or tranche only when no Indenture Security of such series or tranche remains outstanding;

- to provide collateral security for the Indenture Securities or any series thereof;
- to establish the form or terms of the Indenture Securities of any series or tranche as permitted by the Indenture;
- to provide for the authentication and delivery of bearer securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and the solicitation of the vote or consent of, the Holders thereof, and for any and all other matters incidental thereto;
- to evidence and provide for the acceptance of appointment by a successor trustee with respect to the Indenture Securities of one or more series;
- to provide for the procedures required to permit the utilization of a non-certificated system of registration for all, or any series or tranche of, the Indenture Securities; or
- to change any place or places where (a) the principal of and premium, if any, and interest, if any, on all or any series of Indenture Securities, or any tranche thereof, will be payable, (b) all or any series of Indenture Securities, or any tranche thereof, may be surrendered for registration of transfer, (c) all or any series of Indenture Securities, or any tranche thereof, may be surrendered for exchange and (d) notices and demands to or upon Avista in respect of all or any series of Indenture Securities, or any tranche thereof, and the Indenture may be served; or
- to cure any ambiguity, to correct or supplement any provision therein which may be defective or inconsistent with any other provision therein, to make any other changes to the provisions thereof or to add any other provisions with respect to matters and questions arising under the Indenture, so long as such other changes or additions do not adversely affect the interests of the Holders of any series or tranche in any material respect.

Without limiting the generality of the foregoing, if the Trust Indenture Act is amended after the date of the Original Indenture in such a way as to require changes to the Indenture or the incorporation therein of additional provisions or so as to permit changes to, or the elimination of, provisions which, at the date of the Original Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the Indenture, the Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and Avista and the Indenture Trustee may, without the consent of any Holders, enter into one or more supplemental indentures to evidence or effect such amendment. (Indenture, Sec. 1101)

Modifications Requiring Consent

Except as provided above, the consent of the Holders of a majority in aggregate principal amount of the Indenture Securities of all series then outstanding, considered as one class is required for the purpose of adding any provisions to, or changing in any manner, or eliminating any of the provisions of, the Indenture pursuant to one or more supplemental indentures; provided, however, that if less than all of the series of Indenture Securities outstanding are directly affected by a proposed supplemental indenture, then the consent only of the Holders of a majority in aggregate principal amount of outstanding Indenture Securities of all series so directly affected, considered as one class, will be required; and provided, further, that if the Indenture Securities of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the Holders of one or more, but less than all, of such tranches, then the consent only of the Holders of a majority in aggregate principal amount of the outstanding Indenture Securities of all tranches so directly affected, considered as one class, will be required; and provided, further, that no such amendment or modification may:

- change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Indenture Security other than pursuant to the terms thereof, or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of any Discount Security that would be due and payable upon a declaration of acceleration of Maturity or change



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the coin or currency (or other property) in which any Indenture Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity of any Indenture Security (or, in the case of redemption, on or after the redemption date) without, in any such case, the consent of the Holder of such Indenture Security;

- reduce the percentage in principal amount of the outstanding Indenture Securities of any series, or any tranche thereof, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with any provision of the Indenture or of any default thereunder and its consequences;
- reduce the requirements for quorum or voting, without, in any such case, the consent of the Holder of each outstanding Indenture Security of such series or tranche; or
- modify certain of the provisions of the Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the Indenture Securities of any series, or any tranche thereof, without the consent of the Holder of each outstanding Indenture Security of such series or tranche.

A supplemental indenture which changes or eliminates any covenant or other provision of the Indenture which has expressly been included solely for the benefit of the Holders of, or which is to remain in effect only so long as there shall be outstanding, Indenture Securities of one or more specified series, or one or more tranches thereof, or modifies the rights of the Holders of such series or tranche with respect to such covenant or other provision, will be deemed not to affect the rights under the Indenture of the Holders of any other series or tranche.

If the supplemental indenture or other document establishing any series or tranche of Indenture Securities so provides, and as specified in the applicable prospectus supplement and/or pricing supplement, the Holders of such Indenture Securities will be deemed to have consented, by virtue of their purchase of such Indenture Securities, to a supplemental indenture containing the additions, changes or eliminations to or from the Indenture which are specified in such supplemental indenture or other document. No Act of such Holders will be required to evidence such consent and such consent may be counted in the determination of whether the Holders of the requested principal amount of Indenture Securities have consented to such supplemental indenture. (Indenture, Sec. 1102)

Duties of the Indenture Trustee; Resignation; Removal

The Indenture Trustee has, and is subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to such provisions, the Indenture Trustee will be under no obligation to exercise any of the powers vested in it by the Indenture at the request of any Holder, unless such Holder offers it reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby. The Indenture Trustee will not be required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it. (Indenture, Secs. 801 and 803)

The Indenture Trustee may resign at any time with respect to the Indenture Securities of one or more series by giving written notice thereof to Avista or may be removed at any time with respect to the Indenture Securities of one or more series by Act of the Holders of a majority in principal amount of the outstanding Indenture Securities of such series delivered to the Indenture Trustee and Avista. No resignation or removal of the Indenture Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the Indenture. So long as no Event of Default or event which, after notice or lapse of time, or both, would become an Event of Default has occurred and is continuing, if Avista has delivered to the Indenture Trustee with respect to one or more series a resolution of its Board of Directors appointing a successor trustee with respect to that or those series and such successor has accepted such appointment in accordance with the terms of the Indenture, the Indenture Trustee with respect to that or those series will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the Indenture. (Indenture, Sec. 810)

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Evidence of Compliance

Compliance with the Indenture provisions is evidenced by written statements of Avista officers or persons selected or paid by Avista. In certain cases, Avista must furnish opinions of counsel and certifications of an engineer, appraiser or other expert (who in some cases must be independent). In addition, the Indenture requires that Avista give the Indenture Trustee, not less than annually, a brief statement as to Avista's compliance with the conditions and covenants under the Indenture.

Governing Law

The Indenture and the Indenture Securities are governed by and construed in accordance with the laws of the State of New York, except to the extent that the Trust Indenture Act is applicable.

DESCRIPTION OF PREFERRED STOCK

General

The authorized capital stock of Avista Corporation, as set forth in the Articles, consists of 10,000,000 shares of Preferred Stock, cumulative, without nominal or par value, which is issuable in series, and 200,000,000 shares of Common Stock, without nominal or par value. Following is a brief description of certain of the rights and privileges of the Preferred Stock.

Avista may issue shares of New Preferred Stock in one or more additional series. The terms of the New Preferred Stock will include those stated in the Articles and the Bylaws and those made applicable thereto by the Washington BCA. The following summary is not complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Articles, the Bylaws and the Washington BCA. Avista has filed the Articles, as well as a form of amendment thereto to establish a series of New Preferred Stock, and the Bylaws as exhibits to the registration statement of which this prospectus is a part. Whenever particular provisions of the Articles or the Bylaws are referred to, those provisions are incorporated by reference as part of the statements made in this prospectus and those statements are qualified in their entirety by that reference.

The Articles provide that the Preferred Stock may be divided into and issued from time to time in one or more series. All shares of Preferred Stock constitute one and the same class of stock, are of equal rank and will otherwise be identical except as to the designation thereof, the date or dates from which dividends on shares thereof will be cumulative, and except that each series may vary as to, and the applicable prospectus supplement will describe:

- the rate or rates of dividends, if any, which may be expressed in terms of a formula or other method by which such rate or rates will be calculated from time to time, and the date or dates on which dividends may be payable,
- whether shares may be redeemed and, if so, the redemption price and terms and conditions of redemption,
- the amount payable on voluntary and involuntary liquidation,
- sinking fund provisions, if any, for the redemption or purchase of shares, and
- the terms and conditions, if any, on which shares may be converted.

When Preferred Stock is initially issued, the number of shares constituting such series, its distinguishing serial designation and its particular characteristics (insofar as there may be variations between series) may be fixed by resolution of the Board of Directors.

Dividend Rights

The New Preferred Stock of each series will be entitled, on a parity with each other series of Preferred Stock and in preference to the Common Stock, to receive, but only when and as declared by the Board of Directors, dividends at the rate determined for such series and set forth in the applicable prospectus supplement. Such dividends will be cumulative from the date of issuance of the New Preferred Stock and will be payable on the

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fifteenth day of March, June, September and December in each year, except as otherwise provided in the applicable prospectus supplement.

Liquidation Rights

The New Preferred Stock of each series will be entitled, upon dissolution or liquidation, on a parity with each other series of Preferred Stock and in preference to the Common Stock, to a liquidation preference per share determined for such series plus an amount equivalent to accrued and unpaid dividends thereon, if any, to the date of such event. The liquidation preference of each series of New Preferred Stock will be set forth in the applicable prospectus supplement.

Voting Rights

Except for those purposes for which the right to vote is expressly conferred by the Articles or the Washington BCA, the holders of Preferred Stock have no power to vote.

Under the Articles, whenever and as often as, at any date, dividends payable on any shares of Preferred Stock (including any New Preferred Stock) shall be in arrears in an amount equal to the aggregate amount of dividends accumulated on such shares over the eighteen (18) month period ended on such date, the holders of the Preferred Stock, voting separately and as a single class, are entitled to elect a majority of the Board of Directors, and the holders of the Common Stock, voting separately and as a single class, shall be entitled to elect the remaining directors. Such voting rights of the holders of the Preferred Stock cease when all defaults in the payment of dividends on the Preferred Stock of any and all series have been cured. See "Description of Common Stock — Voting Rights" for additional information with respect to the election of directors.

In addition, under the Articles the affirmative vote of the holders of at least a majority of the shares of the Preferred Stock is required:

(a) for the adoption of any amendment of the Articles which would: (i) create or authorize any new class of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up; (ii) increase the authorized number of shares of the Preferred Stock; or (iii) change any of the rights or preferences of the Preferred Stock at the time outstanding, provided that if any such change would affect the holders of less than the Preferred Stock of all series then outstanding, only the affirmative vote of the holders of at least a majority of the shares of all series so affected is required; and

(b) for the issuance of Preferred Stock, or of any other class of stock ranking prior to or on a parity with such Preferred Stock as to dividends or upon dissolution, liquidation or winding up, unless the net income of Avista available for the payment of dividends for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the issuance of such shares is at least equal to one and one-half times the annual dividend requirements on shares of Preferred Stock and on all shares of all other classes of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, which will be outstanding immediately after the issuance of such shares, including the shares proposed to be issued; provided, however, that if the shares of Preferred Stock or any such prior or parity stock shall have a variable dividend rate, the annual dividend requirement of such shares shall be determined by reference to the weighted average dividend rate on such shares during the 12-month period for which the net income of Avista available for the payment of dividends shall have been determined; and provided, further, that if the shares of the series to be issued are to have a variable dividend rate, the annual dividend requirement on such shares shall be determined by reference to the initial dividend rate upon the issuance of such shares.

Under the Washington BCA, the approval of the holders of a majority of the outstanding shares of Preferred Stock is required in connection with certain changes in the capital structure of Avista or in certain rights and preferences of the Preferred Stock, including certain of the changes described in (a) above. In addition, the Washington BCA requires the approval of certain mergers, share exchanges and other major corporate transactions by the holders of two-thirds of the outstanding Preferred Stock.

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Pre-emptive Rights

No holder of Preferred Stock has any pre-emptive rights.

Miscellaneous

The Articles contain no restriction on the redemption or repurchase by Avista of shares of Preferred Stock while there is any arrearage in the payment of dividends on, or sinking fund payments in respect of, the Preferred Stock.

Upon issuance as contemplated by this prospectus and the applicable prospectus supplement, the New Preferred Stock will be fully paid and nonassessable. The holders of the New Preferred Stock will not be subject to liability for further calls or assessment by, or for liabilities of, Avista.

DESCRIPTION OF COMMON STOCK

General

The authorized capital stock of Avista, as set forth in the Articles, consists of 10,000,000 shares of Preferred Stock, cumulative, without nominal or par value, which is issuable in series, and 200,000,000 shares of Common Stock without nominal or par value. Following is a brief description of certain of the rights and privileges of the Common Stock.

Avista may issue additional shares of its Common Stock from time to time. The terms of the Common Stock include those stated in the Articles and the Bylaws and those made applicable thereto by the Washington BCA. The following summary is not complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Articles, the Bylaws and the Washington BCA. Avista has filed the Articles and the Bylaws as exhibits to the registration statement of which this prospectus forms a part. Whenever particular provisions of the Articles or the Bylaws are referred to, those provisions are incorporated as part of the statements made in this prospectus and those statements are qualified in their entirety by that reference.

Dividend Rights

After full provision for all Preferred Stock dividends declared or in arrears, the holders of Common Stock are entitled to receive such dividends as may be lawfully declared from time to time by Avista's Board of Directors.

Voting Rights

The holders of the Common Stock have sole voting power, except as indicated below or as otherwise provided by law. Each holder of Common Stock is entitled to one vote per share.

In an uncontested election of directors, each vote may be cast "for" or "against" one or more candidates, or a shareholder may "abstain" with respect to one or more candidates. A candidate is elected to the Board of Directors only if the number of votes "for" such candidate exceeds the number of votes "against" such candidate; and "abstentions" are not counted as votes "for" or "against". If an incumbent director does not receive a majority of votes cast, he or she would continue to serve a term that would terminate on the date that is the earliest of (a) the date of the commencement of the term of a new director selected by the Board to fill the office held by such director, (b) the effective date of the resignation of such director and (c) the date of the next Annual Meeting of Shareholders. In a contested election — that is, an election in which the number of candidates exceeds the total number of directors to be elected — shareholders would be allowed to vote "for" one or more candidates (not to exceed the number of directors to be elected) or "withhold" votes with respect to one or more candidates. The candidates elected would be those receiving the largest number of votes (up to the number of directors to be elected). Shareholders are not allowed to cumulate their votes in any election of directors (whether or not contested).

Under the Articles, whenever and as often as, at any date, dividends payable on any shares of Preferred Stock (including any New Preferred Stock) shall be in arrears in an amount equal to the aggregate amount of dividends accumulated on such shares of Preferred Stock over the eighteen (18) month period ended on such date, the holders of the Preferred Stock, voting separately and as a single class, are entitled to elect a majority of the Board of

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Directors, and the holders of the Common Stock, voting separately and as a single class, will be entitled to elect the remaining directors. Such voting rights of the holders of the Preferred Stock cease when all defaults in the payment of dividends on the Preferred Stock have been cured.

In addition, the consent of various proportions of the Preferred Stock at the time outstanding is required to adopt any amendment to the Articles which would authorize any new class of stock ranking prior to or on a parity with the Preferred Stock as to certain matters, to increase the authorized number of shares of the Preferred Stock, to change any of the rights or preferences of outstanding Preferred Stock or to issue additional shares of Preferred Stock unless an earnings test is satisfied.

Under the Washington BCA, the approval of the holders of a majority of the outstanding shares of Preferred Stock is required in connection with certain changes in the capital structure of Avista or in certain rights and preferences of the Preferred Stock, including certain of the changes referred to in the preceding paragraph. In addition, the Washington BCA requires approval of certain mergers, share exchanges and other major corporate transactions by the holders of two-thirds of the outstanding Preferred Stock.

Classified Board of Directors

Both the Articles and the Bylaws provide for a Board of Directors divided into three classes. Each director of a class will generally serve for a term of three years, with only one class of directors being elected in each year. The classification of the Board of Directors reduces the impact of cumulative voting rights.

The Articles and Bylaws also generally provide that directors may be removed only for cause and only by the affirmative vote of the holders of at least a majority of the outstanding shares of Common Stock. The Articles and Bylaws further require an affirmative vote of the holders of at least 80% of the outstanding shares of Common Stock to alter, amend or repeal the provisions relating to the classification of the Board of Directors and the removal of members from, and the filling of vacancies on, the Board of Directors.

“Fair Price” Provision

The Articles contain a “fair price” provision which requires the affirmative vote of the holders of at least 80% of the outstanding shares of Common Stock for the consummation of certain business combinations, including mergers, consolidations, recapitalizations, certain dispositions of assets, certain issuances of securities, liquidations and dissolutions involving Avista and a person or entity who is or, under certain circumstances, was, a beneficial owner of 10% or more of the outstanding shares of Common Stock (an “Interested Shareholder”) unless

- such business combination has been approved by a majority of the directors unaffiliated with the Interested Shareholder, or
- certain minimum price and procedural requirements are met. The Articles provide that the “fair price” provision may be altered, amended or repealed only by the affirmative vote of the holders of at least 80% of the outstanding shares of Common Stock.

Statutory Limitation on “Significant Business Transactions”

General

The Washington BCA contains provisions that limit our ability to engage in “significant business transactions” with an “acquiring person”, each as defined below. We have no right to waive the applicability of these provisions.

Significant Business Transactions Within Five Years of Share Acquisition Time

Subject to certain exceptions, for five years after an “acquiring person’s” “share acquisition time”, Avista may not engage in any “significant business transaction” with such “acquiring person” unless

- before such “share acquisition time”, a majority of the Board of Directors approves either:
 - such “significant business transaction”; or
 - the purchase of shares made by such “acquiring person”; or

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- at or subsequent to such “share acquisition time”, such “significant business transaction” has been approved by
 - a majority of the Board of Directors and
 - the holders of 2/3 of the outstanding shares of Common Stock (except shares beneficially owned by or under the voting control of the “acquiring person”).

Significant Business Transactions More Than Five Years After Share Acquisition Time

Avista may not engage in certain “significant business transactions” (including mergers, share exchanges and consolidations) with any “acquiring person” unless:

- the transaction complies with certain “fair price” provisions specified in the statute; or
- no earlier than five years after the “acquiring person’s” “share acquisition time”, the “significant business transaction” is approved at an annual or special meeting of shareholders (in which the “acquiring person’s” shares may not be counted in determining whether the “significant business transaction” has been approved).

Definitions

As used in this section:

“*Significant business transaction*” means any of various specified transactions involving an “acquiring person”, including:

- a merger, share exchange, or consolidation of Avista or any of its subsidiaries with an “acquiring person” or its affiliate;
- a sale, lease, transfer or other disposition to an “acquiring person” or its affiliate of assets of Avista or any of its subsidiaries having an aggregate market value equal to 5% or more of all of the assets determined on a consolidated basis, or all the outstanding shares of Avista, or representing 5% or more of its earning power or net income determined on a consolidated basis;
- termination, at any time over the five-year period following the “share acquisition time”, of 5% or more of the employees of Avista as a result of the “acquiring person’s” acquisition of 10% or more of the shares of Avista; and
- the issuance or redemption by Avista or any of its subsidiaries of shares (or of options, warrants, or rights to acquire shares) of Avista or any of its subsidiaries to or beneficially owned by an “acquiring person” or its affiliate except pursuant to an offer, dividend distribution or redemption paid or made *pro rata* to all shareholders (or holders of options, warrants or rights).

“*Acquiring person*” means, with certain exceptions, a person (or group of persons) other than Avista or its subsidiaries who beneficially owns 10% or more of the outstanding Common Stock of Avista.

“*Share acquisition time*” means the time at which a person first becomes an “acquiring person” of Avista.

Anti-Takeover Effect

The provisions of the Articles and the Bylaws described above under “Classified Board of Directors” and “Fair Price Provision”, together with the provisions of the Washington BCA described above under “Statutory Limitations on ‘Significant Business Transactions’”, considered either individually or in the aggregate, may have an “anti-takeover” effect. These provisions could discourage a future takeover attempt which is not approved by Avista’s Board of Directors but which individual shareholders might deem to be in their best interests or in which shareholders would receive a premium for their shares over current market prices. As a result, shareholders who might desire to participate in such a transaction might not have an opportunity to do so.

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The provisions described above under “Classified Board of Directors” could also cause the removal of the incumbent Board of Directors or management to require more time or render such removal more difficult, procedurally or otherwise.

Liquidation Rights

In the event of any liquidation or dissolution of Avista, after satisfaction of the preferential liquidation rights of the Preferred Stock, the holders of Common Stock would be entitled to share ratably in all assets of Avista available for distribution to shareholders.

Pre-Emptive Rights

No holder of Common Stock has any pre-emptive rights.

Miscellaneous

The presently outstanding shares of Common Stock are fully paid and non-assessable. Upon issuance as contemplated by this prospectus and the applicable prospectus supplement, additional shares of Common Stock will be fully paid and nonassessable. The holders of shares of Common Stock are not and will not be subject to liability for further calls or assessment by, or for liabilities of, Avista.

The outstanding shares of Common Stock are listed on the New York Stock Exchange. Any new shares of Common Stock will also be listed on that Exchange subject to official notice of issuance.

The Transfer Agent and Registrar for the Common Stock is The Bank of New York, 101 Barclay Street, 11th Floor, New York, New York 10286.

WHERE YOU CAN FIND MORE INFORMATION

General

Avista is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Avista files annual, quarterly and special reports, proxy statements and other documents with the SEC (File No. 1-3701). These documents contain important business and financial information. You may read and copy any materials Avista files with the SEC at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Avista’s SEC filings are also available to the public from the SEC’s website at <http://www.sec.gov>. Other than those documents or portions of documents incorporated by reference into this prospectus, information on this website does not constitute a part of this prospectus.

Incorporation of Documents by Reference

The SEC allows us to incorporate by reference the information that we file with the SEC. This allows us to disclose important information to you by referring you to those documents rather than repeating them in full in this prospectus. We are incorporating into this prospectus by reference:

- Avista’s most recent Annual Report on Form 10-K filed with the SEC pursuant to the Exchange Act;
- all other documents filed by Avista with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act since the end of the fiscal year covered by Avista’s most recent Annual Report and prior to the termination of the offering made by this prospectus,

and all of those documents are deemed to be a part of this prospectus from the date of filing such documents; it being understood that documents which are “furnished” but not “filed”, in accordance with SEC rules, will not be deemed to be incorporated by reference. We refer to the documents incorporated into this prospectus by reference as the “Incorporated Documents”. Any statement contained in an Incorporated Document may be modified or superseded by a statement in this prospectus (if such Incorporated Document was filed prior to the date of this prospectus) in

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any prospectus supplement or in any subsequently filed Incorporated Document. The Incorporated Documents as of the date of this prospectus are:

- Annual Report on Form 10-K for the year ended December 31, 2008;
- Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009; and
- Current Reports on Form 8-K filed on January 23, February 13, March 13, April 1, May 8, June 16, August 14, September 4, September 15 and November 25, 2009.

You may request any of these filings, at no cost, by contacting us at the address or telephone number provided on page 2 of this prospectus. Avista maintains an Internet site at <http://www.avistacorp.com> which contains information concerning Avista and its affiliates. The information contained at Avista's Internet site is not incorporated in this prospectus by references and you should not consider it a part of this prospectus.

LEGAL MATTERS

The validity of the Securities and certain other matters will be passed upon for Avista by Marian M. Durkin, Esq., Senior Vice President, General Counsel and Chief Compliance Officer of Avista, and Dewey & LeBoeuf LLP, counsel to Avista. The validity of the Securities and certain other matters will be passed upon for any underwriters or agents by counsel to the extent identified in the applicable prospectus supplement. In giving their opinions, Dewey & LeBoeuf LLP and counsel for any underwriters or agents 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 by reference from the Company's Annual Report on Form 10-K and the effectiveness of Avista Corporation and subsidiaries' 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 consolidated financial statements and include an explanatory paragraph referring to changes in accounting and presentation resulting from the impacts 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.

With respect to the unaudited interim financial information which is incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in the Company's Quarterly Report on Form 10-Q and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

AMENDED AND RESTATED SALES AGENCY AGREEMENT

Amended and Restated Sales Agency Agreement, dated as of December 16, 2009 (this "Agreement"), between AVISTA CORPORATION, a Washington corporation (the "Company"), and BNY MELLON CAPITAL MARKETS, LLC, a registered broker-dealer organized under the laws of Delaware ("BNYMCM").

WITNESSETH:

WHEREAS, the Company has authorized and proposes to issue and sell in the manner contemplated by this Agreement up to 1,250,000 Shares upon the terms and subject to the conditions contained herein; and

WHEREAS, BNYMCM has been appointed by the Company as its agent to sell the Shares and agrees to use its commercially reasonable efforts to sell the Shares offered by the Company upon the terms and subject to the conditions contained herein.

NOW THEREFORE, in consideration of the premises, representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Certain Definitions. For purposes of this Agreement, capitalized terms used herein and not otherwise defined shall have the following respective meanings:

"Actual Sold Amount" means the number of Issuance Shares that BNYMCM has sold during the Selling Period.

"Affiliate" of a Person means another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first-mentioned Person. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Time" means the time of sale of any Shares pursuant to this Agreement.

"Closing" has the meaning set forth in Section 2.02.

"Closing Date" means the date on which the Closing occurs.

“Commission” means the United States Securities and Exchange Commission.

“Commitment Period” means the period commencing on December [], 2009 and expiring on the earliest to occur of (x) the date on which BNYMCM shall have sold the Maximum Program Amount pursuant to this Agreement, (y) the third anniversary of this Amendment and (z) the date this Agreement is terminated pursuant to Article VII.

“Common Stock” shall mean the Company’s Common Stock, without par value.

“Effective Date” has the meaning set forth in Section 3.03.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Floor Price” means the greater of (a) the minimum price set by the Company in the Issuance Notice below which BNYMCM shall not sell Shares during the Selling Period, which may be adjusted by the Company at any time during the Selling Period and which in no event shall be less than \$1.00 without the prior written consent of BNYMCM, which may be withheld in BNYMCM’s sole discretion and (b) \$0.25 below the last sale price at which the Company’s Common Stock were quoted on the record of composite transactions reported by The Wall Street Journal on the business day immediately preceding the day for fixing the price of such Shares.

“Issuance” means each occasion on which the Company elects to exercise its right to deliver an Issuance Notice requiring BNYMCM to use its commercially reasonable efforts to sell the Shares as specified in such Issuance Notice, subject to the terms and conditions of this Agreement.

“Issuance Amount” means the number of Issuance Shares to be sold by BNYMCM with respect to any Issuance, which may not exceed 500,000 Shares during any Selling Period without the prior written consent of BNYMCM, which may be withheld in BNYMCM’s sole discretion.

“Issuance Date” means any Trading Day during the Commitment Period that an Issuance Notice is deemed delivered pursuant to Section 2.03(b) hereof.

“Issuance Notice” means a written notice to BNYMCM delivered in accordance with this Agreement in the form attached hereto as Exhibit A.

“Issuance Price” means the Sales Price less the Selling Commission.

“Issuance Shares” means all Shares issued or issuable pursuant to an Issuance that has occurred or may occur in accordance with the terms and conditions of this Agreement.

“Issuance Supplement” has the meaning set forth in Section 3.01.

“Material Adverse Effect” means a material adverse effect on the business, financial condition, shareholders’ equity or results of operations of the Company and its Subsidiaries considered as a whole, or any development reasonably expected to result in such material adverse change.

“Material Subsidiary” has the meaning set forth in Section 3.05.

“Maximum Program Amount” means 1,250,000 Shares (or, if less, the aggregate amount of Shares registered under the Registration Statement).

“NYSE” means the New York Stock Exchange.

“Person” means an individual or a corporation, partnership, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, governmental authority or other entity of any kind.

“Principal Market” means the NYSE.

“Prospectus” has the meaning set forth in Section 3.01.

“Registration Statement” has the meaning set forth in Section 3.01.

“Representation Date” has the meaning set forth in the introductory paragraph of Article III.

“Sales Price” means the actual sale execution price of each Share sold by BNYMCM on the Principal Market hereunder in the case of ordinary brokers’ transactions, or as otherwise agreed by the parties in other methods of sale.

“Securities Act” means the Securities Act of 1933, as amended.

“Selling Commission” means 1.0% of the Sales Price.

“Selling Period” means the period of one to twenty consecutive Trading Days (as determined by the Company in the Company’s sole discretion and specified in the applicable Issuance Notice) following the Trading Day on which an Issuance Notice is delivered or deemed to be delivered pursuant to Section 2.03(b) hereof.

“Settlement Date” means the third business day following each Trading Day during the Selling Period, when the Company shall deliver to BNYMCM the amount of Shares sold on such Trading Day and BNYMCM shall deliver to the Company the Issuance Price received on such sales.

“Shares” shall mean shares of the Company’s Common Stock issued or issuable pursuant to this Agreement.

“Subsidiary” has the meaning set forth in Section 3.05.

“Trading Day” means any day which is a trading day on the NYSE, other than a day on which trading is scheduled to close prior to its regular weekday closing time.

“Voting Stock” of any Person as of any date means the capital stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

ARTICLE II ISSUANCE AND SALE OF SHARES

Section 2.01 (a) General. Upon the terms and subject to the conditions of this Agreement, the Company may sell Shares through BNYMCM and BNYMCM shall use its commercially reasonable efforts to sell Shares, up to the Maximum Program Amount, based on and in accordance with such Issuance Notices as the Company, in its sole discretion, shall choose to deliver during the Commitment Period until the aggregate number of Shares sold under this Agreement equals the Maximum Program Amount or this Agreement is otherwise terminated. In no event will the Company, directly or indirectly, distribute a Prospectus to any prospective investors or sell any shares pursuant to this Agreement prior to March 12, 2007. The Company acknowledges and agrees that (i) there can be no assurance that BNYMCM will be successful in selling Issuance Shares and (ii) BNYMCM will incur no liability or obligation to the Company or any other Person if it does not sell Issuance Shares for any reason other than a failure by BNYMCM to use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such Issuance Shares as required under this Section 2.01. In acting hereunder, BNYMCM will be acting as agent for the Company and not as principal.

(b) Issuances. Upon the terms and subject to the conditions set forth herein, on any Trading Day as provided in Section 2.03(b) hereof during the Commitment Period on which the conditions set forth in Section 5.01 and 5.02 hereof have been satisfied, the Company may exercise an Issuance by the delivery of an Issuance Notice, executed by the Chief Executive Officer, the President, the Executive Vice President, the Treasurer or the Assistant Treasurer of the Company, to BNYMCM. Upon the delivery of an Issuance Notice, and unless the sale of the Issuance Shares described therein has been suspended, cancelled or otherwise terminated in accordance with the terms of this Agreement, BNYMCM shall use its commercially reasonable efforts, consistent with its normal trading and sales practices, to sell pursuant to such Issuance not more than the Issuance Amount. Each sale of Issuance Shares will be settled on the applicable Settlement Date following such sale. BNYMCM will provide written confirmation to the Company no later than the opening of the Trading Day next following the Trading Day on which it has made sales of Issuance Shares hereunder setting forth the portion of the Actual Sold Amount for such Trading Day, the corresponding Sales Price and the Issuance Price payable to the Company in respect thereof.

(c) Method of Offer and Sale. The Shares may be offered and sold by any method permitted by law and deemed to be an “at-the-market offering” as defined in Rule 415 of the Securities Act, including sales made directly on the Principal Market or through an electronic communications network, or sales made, if and only if the parties hereto have so agreed in writing, to or through a market maker or in privately negotiated transactions. Nothing in this Agreement shall be deemed to require either party to agree to the offering and sale of Shares to or through a market maker or in privately negotiated transactions, and either party may withhold its consent thereto in its sole discretion.

Section 2.02 Effectiveness. This Agreement shall be deemed to become effective (the “Closing”) concurrently with the execution and delivery of this Agreement by the parties hereto and the completion of the closing transactions set forth in the immediately following sentence. At the Closing, the following closing transactions shall take place, each of which shall be deemed to occur simultaneously with the Closing: (i) the Company shall deliver to BNYMCM a certificate executed by the Corporate Secretary or an Assistant Corporate Secretary of the Company, signing in such capacity, dated the date of the Closing (A) certifying that attached thereto are true and complete copies of the resolutions duly adopted by the Board of Directors of the Company authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby (including, without limitation, the issuance of the Shares pursuant to this Agreement), which authorization shall be in full force and effect on and as of the date of such certificate and (B) certifying and attesting to the office, incumbency and specimen signatures of each Person who executed the Agreement for or on behalf of the Company; (ii) the Company shall deliver to BNYMCM a certificate executed by the Chief Executive Officer, the President, the Executive Vice President, the Treasurer or the Assistant Treasurer of the Company, signing in such capacity, dated the date of the Closing, confirming that the representations and warranties of the Company contained in this Agreement are true and correct in all material respects and that the Company has performed in all material respects all of its obligations hereunder to be performed on or prior to the Closing Date and as to the matters set forth in Section 5.01(a) hereof; (iii) Marian M. Durkin, Esq., Senior Vice President, General Counsel and Chief Compliance Officer of the Company, shall deliver to BNYMCM an opinion, dated the date of the Closing and addressed to BNYMCM, to the effect set forth in Exhibit B(1) attached hereto; (iv) Dewey & LeBoeuf LLP, counsel to the Company, shall deliver to BNYMCM an opinion (relying for matters of Washington, Idaho, Montana and Oregon law on the opinion of Marian M. Durkin, Esq.), dated the date of the Closing and addressed to BNYMCM, to the effect set forth in Exhibit B(2) attached hereto; (v) Deloitte & Touche LLP, independent registered public accounting firm for the Company, shall deliver to BNYMCM a letter, dated the Closing Date, in form and substance reasonably satisfactory to BNYMCM covering such matters as are customarily covered in “comfort letters” delivered by independent auditors in public offerings of securities; and (vi) the Company shall pay the expenses set forth in Section 9.02(ii), (iv) and (viii) hereof by wire transfer to the account designated by BNYMCM in writing prior to the Closing.

Section 2.03 Mechanics of Issuances. (a) Issuance Notice. On any Trading Day during the Commitment Period, the Company may deliver an Issuance

Notice to BNYMCM, subject to the satisfaction of the conditions set forth in Sections 5.01 and 5.02; provided, however, that (1) the Issuance Amount for each Issuance as designated by the Company in the applicable Issuance Notice shall in no event exceed 500,000 Shares without the prior written consent of BNYMCM, which may be withheld in BNYMCM's sole discretion, and (2) notwithstanding anything in this Agreement to the contrary, BNYMCM shall have no further obligations with respect to any Issuance Notice if and to the extent the number of Issuance Shares to be sold pursuant thereto, together with the aggregate number of Shares previously sold under this Agreement, shall exceed the Maximum Program Amount.

(b) Delivery of Issuance Notice. An Issuance Notice shall be deemed delivered on the Trading Day that it is received by facsimile, e-mail or otherwise (and the Company confirms such delivery by e-mail notice or by telephone (including voicemail message)) by BNYMCM. No Issuance Notice may be delivered other than on a Trading Day during the Commitment Period. BNYMCM shall comply with such other restrictions and instructions as shall be reasonably requested on the applicable Issuance Notice.

(c) Floor Price. BNYMCM shall not sell Shares below the Floor Price during any Selling Period, and such Floor Price may be adjusted by the Company at any time during any Selling Period upon notice to BNYMCM and confirmation to the Company. The Company shall not establish any Floor Price, or make any adjustment to any Floor Price, that would not be within the limitations approved by the Board of Directors of the Company.

(d) Trading Guidelines. BNYMCM may, to the extent permitted under the Securities Act and the Exchange Act, purchase and sell Common Stock for its own account while this Agreement is in effect provided that (i) no such purchase or sale shall take place while an Issuance Notice is in effect (except to the extent BNYMCM may engage in sales of Issuance Shares purchased or deemed purchased from the Company as a "riskless principal" or in a similar capacity), (ii) in no circumstances shall BNYMCM have a short position in the Common Stock for its own account and (iii) the Company shall not be deemed to have authorized or consented to any such purchases or sales by BNYMCM. In addition, the Company hereby acknowledges and agrees that BNYMCM's affiliates, subject to compliance with Regulation M under the Exchange Act, may make markets in the Common Stock or other securities of the Company, in connection with which they may buy and sell, as agent or principal, for long or short account, shares of Common Stock or other securities of the Company, at the same time BNYMCM is acting as agent pursuant to this Agreement.

Section 2.04 Use of Free Writing Prospectus. Neither the Company nor BNYMCM has prepared, used, referred to or distributed, or will prepare, use, refer to or distribute without the other party's prior written consent, any "written communication" which constitutes a "free writing prospectus" as such terms are defined in Rule 405 under the Securities Act.

Section 2.05 Settlements. Subject to the provisions of Article V, on or before each Settlement Date, the Company will cause The Bank of New York, N.A., its transfer agent, to electronically transfer the Issuance Shares being sold by crediting BNYMCM or its designee's account at The Depository Trust Company ("DTC") through its Deposit/Withdrawal at Custodian System, or by such other means of delivery as may be mutually agreed upon by the parties hereto, and concurrently with the receipt of such Issuance Shares, which in all cases shall be freely tradable, transferable, registered shares in good deliverable form, BNYMCM will deliver the related Issuance Price in same day funds to an account designated by the Company. If the Company defaults in its obligation to deliver Issuance Shares on a Settlement Date, the Company agrees that it will (i) hold BNYMCM harmless against any loss, claim, damage or expense (including, without limitation, penalties, interest and reasonable legal fees and expenses), as incurred, arising out of or in connection with such default by the Company, and (ii) pay to BNYMCM any Selling Commission to which it would otherwise have been entitled absent such default. The individuals listed on Schedule 1 hereto shall be the contact persons for all matters related to the settlement of the transfer of Issuance Shares through the Deposit/Withdrawal at Custodian System for purposes of this Section 2.05.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to, and agrees with, BNYMCM that as of the Closing Date, as of each Issuance Date, as of each Settlement Date and as of any time that the Registration Statement or the Prospectus shall be amended or supplemented (each of the times referenced above is referred to herein as a "Representation Date"), except as may be disclosed in the Prospectus on or before a Representation Date:

Section 3.01 Registration. (a) The Common Stock is registered pursuant to Section 12(b) of the Exchange Act and is currently listed and quoted on the Principal Market under the trading symbol "AVA", and the Shares have been listed on the Principal Market, subject to notice of issuance. The Company (i) meets the requirements for use of Form S-3 under the Securities Act and the rules and regulations thereunder for the registration of the transactions contemplated by this Agreement and (ii) has been subject to the requirements of Section 12 of the Exchange Act and has timely filed all the material required to be filed pursuant to Sections 13 and 14 of the Exchange Act for a period of more than 12 calendar months. A registration statement on Form S-3 (File No. 333-163609) in respect of the Shares and certain other securities was filed with the Commission in accordance with the provisions of the Securities Act and became effective automatically upon filing; and no other document with respect to the registration statement or documents incorporated by reference therein has heretofore been filed or transmitted for filing with the Commission (other than (x) prospectuses filed pursuant to Rule 424(b) or Rule 433 of the rules and regulations of the Commission under the Securities Act, and (y) Current Reports on Form 8-K, each in the form heretofore delivered to BNYM and other than the registration statements referred to in paragraph (b) below). Such registration statement, in the form in which it became effective (including the exhibits thereto, but excluding the Statements of Eligibility on Form T-1) is

hereinafter called the "Registration Statement"; and the prospectus relating to the Shares in the form in which it was included in the Registration Statement at the time it became effective, as supplemented by the prospectus supplement containing the plan of distribution of the Shares, in the form in which it is filed with the Commission pursuant to Rule 424(b) under the Securities Act and any pricing supplement relating to a particular issuance of the Issuance Shares (each, an "Issuance Supplement") is hereinafter called the "Prospectus", except that if any revised prospectus is provided to BNYMCM by the Company for use in connection with the offering of the Shares that is not required to be filed by the Company pursuant to Rule 424(b) promulgated by the Commission under the Securities Act, the term "Prospectus" shall refer to such revised prospectus from and after the time it is first provided to BNYMCM for such use.

(b) Any reference herein to the Registration Statement or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act, as of the effective date or the date thereof, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act, after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any reference to any amendment or supplement to the Prospectus shall be deemed to refer to and include any documents filed after the date of such Prospectus, under the Exchange Act and incorporated by reference in such Prospectus.

(c) Promptly after the execution and delivery of this Agreement, the Company will prepare and file the Prospectus Supplement relating to the Issuance Shares pursuant to Rule 424(b) promulgated by the Commission under the Securities Act, as contemplated by Section 5.01(l) of this Agreement.

Section 3.02 Incorporated Documents. The documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectus pursuant to Item 12 of Form S-3 (collectively, the "Incorporated Documents"), as of the date filed with the Commission under the Exchange Act, conformed and will conform in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder, and none of such documents contained or will contain at such time an untrue statement of a material fact or omitted or will omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Section 3.03 The Registration Statement. No stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Company, threatened by the Commission. The Registration Statement, as of the Effective Date, conformed or will conform in all material respects to the requirements of the Securities Act, and the rules and regulations of the Commission promulgated thereunder and, as of the Effective Date, does not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not

misleading, and the Prospectus, as of its original issue date, as of the date of any filing of an Issuance Supplement thereto pursuant to Rule 424(b) promulgated by the Commission under the Securities Act, as of each Applicable Time, and as of the date of any other amendment or supplement thereto, conforms or will conform in all material respects to the requirements of the Securities Act and the rules and regulations of the Commission promulgated thereunder and, as of such respective dates, does not and will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by BNYMCM expressly for use in the Prospectus. As used herein, with respect to the Registration Statement, the term "Effective Date" means, as of a specified time, the later of (i) the date that the Registration Statement or the most recent post-effective amendment thereto was or is declared effective by the Commission under the Securities Act, (ii) the date that the Company's Annual Report on Form 10-K for its most recently completed fiscal year is filed with the Commission under the Exchange Act and (iii) each deemed effective date for the Registration Statement with respect to the Company and BNYMCM for the Shares pursuant to Rule 430B(f)(2) of the Securities Act.

Section 3.04 Changes. Since the date of the latest audited financial statements included or incorporated by reference in the Prospectus there has not been any material adverse change in or affecting the business, financial condition, shareholders' equity or results of operations of the Company and its subsidiaries, considered as a whole, or any development reasonably expected to result in such a material adverse change except as set forth in or contemplated by the Prospectus.

Section 3.05 Organizational Matters. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Washington, with corporate power and authority to own or lease its properties and conduct its business in all material respects as described in the Registration Statement and the Prospectus; the Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect and, except as set forth in or contemplated by the Prospectus, has all material required approvals and authorizations to own, lease and operate its properties, and to transact an electric and/or gas public utility business in such jurisdictions. Each Material Subsidiary of the Company has been duly incorporated and is validly existing as a corporation and to the extent such concept is applicable, is in good standing under the laws of its jurisdiction of incorporation. As used in this Agreement, the term "Subsidiary" means any Person (other than a natural person), at least a majority of the outstanding Voting Stock of which is owned by the Company, by one or more Subsidiaries or by the Company and one or more Subsidiaries. As of the date of this Agreement, the only Material Subsidiaries of the Company are Avista Capital, Inc. ("Avista Capital") and Advantage IQ, Inc. ("Advantage IQ") (each, a "Material Subsidiary").

Section 3.06 Authorization; Enforceability. The Company has duly authorized, executed and delivered this Agreement. This Agreement constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and by limitations imposed by law and public policy on indemnification, contribution or other exculpation.

Section 3.07 Capitalization. The Company has an authorized capitalization as set forth in the Prospectus, and all of the outstanding shares of Common Stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable.

Section 3.08 Capitalization of Material Subsidiaries. All of the issued shares of capital stock of Avista Capital and Advantage IQ have been duly and validly authorized and issued, are fully paid and non-assessable; the Company is the record and beneficial owner of all shares of capital stock of Avista Capital; [39,722,129] shares of Advantage IQ's capital stock are issued and outstanding (which shares consist entirely of common stock) and Avista Capital is the record and beneficial owner of [29,572,384] shares of such common stock; and the shares of capital stock of Avista Capital and Advantage IQ that are owned directly or indirectly by the Company are owned free and clear of all security interests, liens, encumbrances, equities and claims.

Section 3.09 Shares. The Shares have been duly authorized by all necessary corporate action on the part of the Company and, when issued and delivered against payment therefor as provided in this Agreement, the Shares will be validly issued, fully paid and nonassessable, will not be subject to any preemptive or similar rights and will be free and clear of all claims, liens, charges, encumbrances and security interests of any nature whatsoever. The Shares conform in all material respects to the description thereof contained in the Prospectus under the caption "Description of Common Stock." Except as set forth in the Prospectus, there are no outstanding options, warrants, conversion rights, subscription rights, preemptive rights, rights of first refusal or other rights or agreements of any nature outstanding to subscribe for or to purchase any shares of Common Stock of the Company or any other securities of the Company of any kind binding on the Company (except pursuant to dividend reinvestment, stock purchase or ownership, stock option, director or employee benefit plans) and there are no outstanding securities or instruments of the Company containing anti-dilution or similar provisions that will be triggered by the issuance of the Shares as described in this Agreement. There are no restrictions upon the voting or transfer of any shares of the Company's Common Stock pursuant to the Company's Restated Articles of Incorporation or By-laws. There are no agreements or other obligations (contingent or otherwise) that may require the Company to repurchase or otherwise acquire any shares of its Common Stock. No Person has the right, contractual or otherwise, to cause the Company to issue to it, or to register pursuant to the Securities Act, any shares of capital stock or other securities of the Company upon the filing of the Registration Statement or the issuance or sale of the Shares hereunder.

Section 3.10 No Conflicts. The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not (a) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the imposition of a lien or security interest upon any property or assets used in the conduct of the business of the Company or any Material Subsidiary pursuant to, any material indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any Material Subsidiary is a party or by which the Company or any Material Subsidiary is bound or to which any of the property or assets used in the conduct of the business of the Company or any Material Subsidiary is subject, (b) result in any violation of the provisions of the Restated Articles of Incorporation or the By-laws of the Company or the organizational documents of any Material Subsidiary, or (c) result in any violation of any applicable statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any Material Subsidiary or any of their properties (except in each case for conflicts, breaches, violations, defaults, liens or security interests that would not have a Material Adverse Effect).

Section 3.11 Consents, Approvals, Authorizations. No consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body is required for the performance by the Company of its obligations under this Agreement, except (1) such as have been, or will have been prior to the Closing Date, obtained under the Securities Act, (2) such consents, approvals, authorizations, orders, registrations or qualifications as may be required by the Washington Utilities and Transportation Commission (the "WUTC"), the Idaho Public Utilities Commission (the "IPUC") and the Public Utility Commission of Oregon (the "OPUC") (collectively, the "Commission Orders") and (3) for such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or blue sky laws, as the case may be.

Section 3.12 Legal Proceedings. Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its Subsidiaries is a party or of which any property of the Company or any of its Subsidiaries is the subject which, if determined adversely to the Company or any of its Subsidiaries, would individually or in the aggregate have a Material Adverse Effect and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

Section 3.13 Sale of Shares. Immediately after any sale of Shares by the Company hereunder, the aggregate number of Shares that have been issued and sold by the Company hereunder will not exceed the aggregate amount of Common Stock (x) registered and available under the Registration Statement or (y) that shall be authorized by the WUTC, IPUC and OPUC from time to time (in this regard, the Company acknowledges and agrees that BNYMCM shall have no responsibility for maintaining records with respect to the aggregate number of Shares sold, or of otherwise monitoring the availability of Common Stock for sale, under the Registration Statement or the applicable WUTC, IPUC or OPUC authorizations).

Section 3.14 Investment Company. The Company is not, and after giving effect to the offering and sale of the Shares, will not be, an “investment company” within the meaning of the Investment Company Act of 1940, as amended (the “1940 Act”).

Section 3.15 Financial Condition; No Adverse Changes. (a) The financial statements, together with related schedules and notes, included or incorporated by reference in the Registration Statement and the Prospectus, present fairly the consolidated financial position, results of operations and changes in financial position of the Company and the Subsidiaries on the basis stated therein at the respective dates or for the respective periods to which they apply; such statements and related schedules and notes have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, subject to normal year-end adjustments, except as disclosed therein; and the other financial and statistical information and data included or incorporated by reference in the Registration Statement and the Prospectus are accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Company and the Subsidiaries. No other financial statements are required to be set forth or to be incorporated by reference in the Registration Statement or the Prospectus under the Securities Act.

(b) Deloitte & Touche LLP, who have certified certain financial statements of the Company and its Subsidiaries and have audited the Company’s internal control over financial reporting and management’s assessment thereof, is a registered public accounting firm, and is independent with respect to the Company and its Subsidiaries, each within the meaning of the Exchange Act and the rules and regulations of the Commission thereunder and the rules and regulations of the Public Company Accounting Oversight Board;

(c) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act) that comply with the requirements of the Exchange Act and have been designed to ensure that material information relating to the Company and its Subsidiaries is communicated to the Company’s principal executive officer and principal financial officer. The Company’s disclosure controls and procedures were effective as of December 31, 2005.

(d) The Company and its Subsidiaries maintain systems of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act). The Company’s internal control over financial reporting was effective as of December 31, 2005, and the Company is not aware of any material weaknesses therein. Since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, there has been no change that has materially adversely affected, or is reasonably likely to materially adversely affect, the Company’s internal control over financial reporting.

Section 3.16 Use of Proceeds. The Company will use the net proceeds from the offering of Shares in the manner specified in the Prospectus under “Use of Proceeds.”

Section 3.17 Environmental Matters. Other than as set forth in the Prospectus, (a) the Company and its Subsidiaries are in compliance in all material respects with all applicable state and federal environmental laws, except for instances of noncompliance that, individually or in the aggregate, would not have a Material Adverse Effect, and (b) no event or condition has occurred that is reasonably likely to interfere in any material respect with the compliance by the Company and its Subsidiaries with any environmental law or that is reasonably likely to give rise to any liability under any environmental law, in each case that, individually or in the aggregate, would have a Material Adverse Effect.

Section 3.18 Officer's Certificate. Any certificate signed by the Chief Executive Officer, the President, the Executive Vice President, the Treasurer or the Assistant Treasurer of the Company and delivered to BNYMCM or to counsel for BNYMCM in connection with an Issuance shall be deemed a representation and warranty by the Company to BNYMCM as to the matters covered thereby on the date of such certificate.

Section 3.19 Finder's Fees. The Company has not incurred (directly or indirectly) nor will it incur, directly or indirectly, any liability for any broker's, finder's, financial advisor's or other similar fee, charge or commission in connection with this Agreement or the transactions contemplated hereby, except as set forth in this Agreement.

ARTICLE IV COVENANTS

The Company covenants and agrees during the term of this Agreement with BNYMCM as follows:

Section 4.01 Registration Statement and Prospectus. (i) To make no amendment or supplement to the Registration Statement or the Prospectus (other than (x) an amendment or supplement relating solely to the issuance or offering of securities other than the Shares and (y) by means of an Annual Report on Form 10-K, a Quarterly Report on Form 10-Q or a Current Report on Form 8-K filed with the Commission under the Exchange Act and incorporated or deemed to be incorporated by reference in the Registration Statement or the Prospectus) after the date of delivery of an Issuance Notice and prior to the related Settlement Date(s) that is reasonably disapproved by BNYMCM promptly after reasonable notice thereof; (ii) to prepare, with respect to any Issuance Shares to be sold pursuant to this Agreement, an Issuance Supplement with respect to such Issuance Shares in a form previously approved by BNYMCM and to file such Issuance Supplement pursuant to Rule 424(b) promulgated by the Commission under the Securities Act within the time period required thereby, only if delivery and filing of such an Issuance Supplement is required by applicable law or by the rules and regulations of the Commission; (iii) to make no amendment or supplement to the Registration Statement or the Prospectus (other than (x) an amendment or supplement relating solely to the issuance or offering of securities other than the Shares and (y) by means of an Annual Report on Form 10-K, a Quarterly Report on Form 10-Q or a Current Report on Form 8-

K filed with the Commission under the Exchange Act and incorporated or deemed to be incorporated by reference in the Registration Statement or the Prospectus) at any time prior to having afforded BNYMCM a reasonable opportunity to review and comment thereon; (iv) to file within the time periods required by the Exchange Act all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act so long as the delivery of a prospectus is required under the Securities Act or under the blue sky or securities laws of any jurisdiction in connection with the offering or sale of the Shares, and during such period to advise BNYMCM, promptly after the Company receives notice thereof, of the time when any amendment to the Registration Statement has been filed with the Commission or has become effective or any supplement to the Prospectus or any amended Prospectus has been filed with the Commission, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus relating to the Shares, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, of any request by the Commission for the amendment or supplement of the Registration Statement or the Prospectus or for additional information relating thereto, or the receipt of any comments from the Commission with respect to the Registration Statement or the Prospectus (including, without limitation, any Incorporated Documents); and (v) in the event of the issuance of any such stop order or of any such order preventing or suspending the use of any such prospectus or suspending any such qualification, to use promptly commercially reasonable efforts to obtain its withdrawal; and (vi) to promptly advise BNYMCM in writing of the expiration of the Commission Orders referred to in Section 3.11 of this Agreement.

Section 4.02 Blue Sky. To use its commercially reasonable efforts to cause the Shares to be listed on the Principal Market and promptly from time to time to take such action as BNYMCM may reasonably request to cooperate with BNYMCM in the qualification of the Shares for offering and sale under the blue sky or securities laws of such jurisdictions within the United States of America and its territories as BNYMCM may reasonably request and to use its commercially reasonable efforts to comply with such laws so as to permit the continuance of sales and dealings therein for as long as may be necessary to complete the sale of the Shares; provided, however, that in connection therewith the Company shall not be required to qualify as a foreign corporation, to file a general consent to service of process or to subject itself to taxation in respect of doing business in any jurisdiction.

Section 4.03 Copies of Registration Statement and Prospectus. To furnish BNYMCM with copies (which may be electronic copies) of the Registration Statement and each amendment thereto, and with copies of the Prospectus and each amendment or supplement thereto in the form in which it is filed with the Commission pursuant to the Securities Act or Rule 424(b) under the Securities Act, both in such quantities as BNYMCM may reasonably request from time to time; and, if the delivery of a prospectus is required under the Securities Act or under the blue sky or securities laws of any jurisdiction at any time on or prior to the applicable Settlement Date for any Selling Period in connection with the offering or sale of Issuance Shares and if at such time any event has occurred as a result of which the Prospectus would include an untrue

statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or, if for any other reason it is necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document to be incorporated by reference in the Prospectus in order to comply with the Securities Act or the Exchange Act, to notify BNYMCM and request BNYMCM to suspend offers to sell Shares (and, if so notified, BNYMCM shall cease such offers as soon as practicable); and if the Company decides to amend or supplement the Registration Statement or the Prospectus, to advise BNYMCM promptly by telephone (with confirmation in writing) and to prepare and cause to be filed promptly with the Commission an amendment or supplement to the Registration Statement or the Prospectus that will correct such statement or omission or effect such compliance; provided, however, that if during such same period BNYMCM is required to deliver a prospectus in respect of transactions in the Shares, the Company shall promptly prepare and file with the Commission such an amendment or supplement.

Section 4.04 Rule 158. To make generally available to the holders of the Shares as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Securities Act), an earnings statement of the Company and its Subsidiaries (which need not be audited) covering a period of at least 12 months beginning after the later of (i) the effective date of the most recent post-effective amendment to the Registration Statement to become effective prior to the date of this Agreement and (ii) the date of the Company's most recent Annual Report on Form 10-K filed with the Commission prior to the date of this Agreement, which will satisfy the provisions of Section 11(a) of the Act and the rules and regulations thereunder including Rule 158.

Section 4.05 Information. Except where such reports, communications, financial statements or other information are available on the Commission's EDGAR system, to furnish to BNYMCM (in paper or electronic format) copies of all publicly available reports or other communications (financial or other) furnished generally to shareholders and filed with the Commission pursuant to the Exchange Act, and deliver to BNYMCM (in paper or electronic format) (i) promptly after they are available, copies of any publicly available reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional publicly available information concerning the business and financial condition of the Company as BNYMCM may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its Subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission).

Section 4.06 Representations and Warranties. That each delivery of an Issuance Notice and each delivery of Issuance Shares on a Settlement Date shall be deemed to be (i) an affirmation to BNYMCM that the representations and warranties of the Company contained in or made pursuant to this Agreement are true and correct as of the date of such Issuance Notice or of such Settlement Date, as the case may be, as though made at and as of each such date, except as may be disclosed in the Prospectus,

and (ii) an undertaking that the Company will advise BNYMCM if any of such representations and warranties will not be true and correct in all material respects as of the Settlement Date for the Shares relating to such Issuance Notice, as though made at and as of each such date (except that such representations and warranties shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented relating to such Shares).

Section 4.07 Opinions of Counsel. That each time the Registration Statement or the Prospectus is amended or supplemented (other than by means of (x) an amendment or supplement relating solely to the offering of securities other than Shares or (y) an Issuance Supplement or (z) a Current Report on Form 8-K, unless, in the case of (y) or (z), reasonably requested by BNYM within 30 days of the filing thereof with the Commission), including by means of an Annual Report on Form 10-K or a Quarterly Report on Form 10-Q filed with the Commission under the Exchange Act and incorporated or deemed to be incorporated by reference into the Prospectus, the Company shall as soon as practicable thereafter furnish or cause to be furnished promptly to BNYM written opinions of Marian M. Durkin, Esq., Senior Vice President, General Counsel and Chief Compliance Officer of the Company and Dewey & LeBoeuf LLP, counsel to the Company, dated the date of such amendment, supplement or incorporation and in form reasonably satisfactory to BNYM, (i) if such counsel has previously furnished an opinion to the effect set forth in Exhibit B hereto respectively, to the effect that BNYM may rely on such previously furnished opinions of such counsel (except for the opinions in paragraphs 3, 4 and 5 of Exhibit B(1) and Exhibit B(2) hereto) to the same extent as though it were dated the date of such letter authorizing reliance (except that the statements in such last opinions shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such date) or (ii) if such counsel has not previously furnished an opinion to the effect set forth in Exhibit B(1) or Exhibit B(2) hereto, of the same tenor as such an opinion of such counsel, but modified to relate to the Registration Statement and the Prospectus as amended and supplemented to such date.

Section 4.08 Comfort Letters. That each time the Registration Statement or the Prospectus is amended or supplemented, including by means of an Annual Report on Form 10-K, a Quarterly Report on Form 10-Q or a Current Report on Form 8-K (but only on a Current Report on Form 8-K that contains financial statements of the Company filed with the Commission under the Exchange Act and incorporated or deemed to be incorporated by reference into the Prospectus), in any case to set forth financial information included in or derived from the Company's financial statements (other than by means of (x) an amendment or supplement relating to the offering of securities other than Shares or (y) any other amendment or supplement which contains neither the Company's consolidated financial statements nor any quantitative information included therein or derived therefrom), the Company shall as soon as practicable thereafter cause the independent registered public accounting firm that has audited the consolidated financial statements of the Company included or incorporated by reference in the Registration Statement promptly to furnish to BNYMCM a letter, dated five (5) Trading Days after the date of effectiveness of such amendment or the date of filing of such supplement, as the case may be, in form reasonably satisfactory to BNYMCM, of the same tenor as the letter referred to in Section 5.01(h) hereof but modified to relate to the

Registration Statement and the Prospectus as amended or supplemented to the date of such letter, with such changes as may be necessary to reflect changes in the financial statements and other information derived from the accounting records of the Company, to the extent such financial statements and other information are available as of a date not more than five Trading Days prior to the date of such letter; provided, however, that, with respect to any financial information or other matters, such letter may reconfirm as true and correct at such date as though made at and as of such date, rather than repeat, statements with respect to such financial information or other matters made in the letter referred to in Section 5.01(h) hereof that was last furnished to BNYMCM.

Section 4.09 Officer's Certificate. That each time the Registration Statement or the Prospectus is amended or supplemented (other than by means of (x) an amendment or supplement relating solely to the offering of securities other than Shares or (y) an Issuance Supplement or (z) a Current Report on Form 8-K, unless, in the case of (y) or (z), reasonably requested by BNYMCM within 30 days of the filing thereof with the Commission), including by means of an Annual Report on Form 10-K or a Quarterly Report on Form 10-Q filed with the Commission under the Exchange Act and incorporated or deemed to be incorporated by reference into the Prospectus, the Company shall as soon as practicable thereafter furnish or cause to be furnished promptly to BNYMCM a certificate, dated the date of such supplement, amendment or incorporation, as the case may be, and executed by such officers of the Company, in such form as is reasonably satisfactory to BNYMCM, of the same tenor as the certificate referred to in Section 2.02(ii) but modified to relate to the Registration Statement and the Prospectus as amended and supplemented to such date.

Section 4.10 Stand Off Agreement. Without the written consent of BNYMCM, the Company will not, directly or indirectly, offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of any shares of Common Stock or securities convertible into or exchangeable for Common Stock (other than Shares hereunder), warrants or any rights to purchase or acquire, Common Stock during the period beginning on the first (1st) Trading Day immediately prior to the date on which any Issuance Notice is delivered to BNYMCM hereunder and ending on the first (1st) Trading Day immediately following the last Settlement Date with respect to Shares sold pursuant to such Issuance Notice; provided, however, that such restriction will not be required in connection with the Company's issuance or sale of (i) Common Stock, options to purchase shares of Common Stock or Common Stock issuable upon the exercise of options pursuant to any employee or director stock option or benefit plan, stock purchase or ownership plan or dividend reinvestment plan (but not shares subject to a waiver to exceed plan limits in a stock purchase plan) of the Company, (ii) Common Stock issuable upon conversion of securities or the exercise of warrants, options or other rights disclosed in the Company's Commission filings and (iii) Common Stock issuable as consideration in connection with acquisitions of business, assets or securities of other Persons.

Section 4.11 Market Activities. The Company will not, directly or indirectly, (i) take any action designed to cause or result in, or that constitutes or might reasonably be expected to constitute, the stabilization or manipulation of the price of any

security of the Company to facilitate the sale of the Shares or (ii) bid for or purchase the Shares, or pay anyone any compensation for soliciting purchases of the Shares other than BNYMCM.

Section 4.12 Obligations During Suspension. Notwithstanding the foregoing, it is agreed that if, at any time and from time to time during the term of this Agreement, the Company or BNYMCM should deliver notice of its decision to suspend any sale of Issuance Shares pursuant to Section 5.03 hereof, then during the period of any such suspension, the Company shall be relieved of its obligations to provide to BNYMCM the certificates, opinions and letters required pursuant to 4.07, 4.08 and 4.09 hereof. However, whenever such a suspension is lifted, the Company shall be required to deliver to BNYMCM, prior to the resumption of any sale of Issuance Shares hereunder, the most recent certificate, opinions and letter than would have been required except for such suspension.

ARTICLE V CONDITIONS TO DELIVERY OF ISSUANCE NOTICES AND TO SETTLEMENT

Section 5.01 Conditions Precedent to the Right of the Company to Deliver an Issuance Notice and the Obligation of BNYMCM to Sell Shares During the Selling Period(s). The right of the Company to deliver an Issuance Notice hereunder is subject to the satisfaction, on the date of delivery of such Issuance Notice, and the obligation of BNYMCM to sell Shares during the applicable Selling Period(s) is subject to the satisfaction, on the applicable Settlement Date(s), of each of the following conditions:

(a) Effective Registration Statement. The Registration Statement shall remain effective; and (i) no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; (ii) no other suspension of the use or withdrawal of the effectiveness of the Registration Statement or Prospectus shall exist; (iii) all requests for additional information on the part of the Commission with respect to the Registration Statement or the Prospectus shall have been complied with to the reasonable satisfaction of BNYMCM; and (iv) no event specified in Section 4.03 hereof shall have occurred and be continuing without the Company amending or supplementing the Registration Statement or the Prospectus as provided in Section 4.03.

(b) Authorizations. There shall have been issued and there shall be in full force and effect the authorizations referred to in Section 3.10 of this Agreement and such authorizations, to the knowledge of the Company, shall not be the subject of any pending application for rehearing or petition for modification and shall be sufficient to authorize the issuance and sale of the Shares.

(c) Accuracy of the Company's Representations and Warranties. The representations and warranties of the Company shall be true and correct as of each

Representation Date as though made at such time, except as may be disclosed in the Prospectus on or before the applicable Representation Date.

(d) Performance by the Company. The Company shall have performed, satisfied and complied with in all material respects all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to such date.

(e) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby that prohibits or directly and materially adversely affects any of the transactions contemplated by this Agreement, and no proceeding shall have been commenced that may have the effect of prohibiting or materially adversely affecting any of the transactions contemplated by this Agreement.

(f) Material Adverse Changes. Since the date of this Agreement, no event that had or is reasonably likely to have a Material Adverse Effect shall have occurred that has not been disclosed in the Registration Statement or the Prospectus (including the documents incorporated by reference therein and any supplements thereto).

(g) No Suspension of Trading In or Delisting of Common Stock; Other Events. The Shares shall have been approved for listing or quotation on (subject only to notice of issuance) and shall not have been delisted from the Principal Market. There shall not have occurred (and be continuing in the case of occurrences under clause (ii) and (iii) below) any of the following: (i) any suspension in trading in the Common Stock by the Commission, the Principal Market or the National Association of Securities Dealers, Inc. since the immediately preceding Settlement Date or, if there has been no Settlement Date, the Closing Date; (ii) any suspension or material limitation in trading generally on the NYSE, or minimum and maximum prices for trading have been fixed, or maximum ranges for prices have been required, by the NYSE or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States; (iii) a general moratorium on commercial banking activities in New York declared by either federal or New York state authorities; or (iv) any material adverse change in the financial markets in the United States or in the international financial markets, any outbreak or escalation of hostilities or other calamity or crisis involving the United States or the declaration by the United States of a national emergency or war or any change or development involving a prospective change in national or international political, financial or economic conditions, if the effect of any such event specified in this clause (iv) in the judgment of BNYMCM makes it impractical or inadvisable to proceed with the sale of Shares of the Company.

(h) Comfort Letter. On the Closing Date and on each applicable date referred to in Section 4.08 hereof that is on or prior to such Issuance Date or Settlement Date, as the case may be, the independent registered public accounting firm who has

audited the financial statements of the Company included or incorporated by reference in the Registration Statement shall have furnished to BNYMCM a letter, dated the Closing Date or such applicable date, as the case may be, in form and substance satisfactory to BNYMCM to the effect required by Section 4.08.

(i) No Defaults. The execution and delivery of this Agreement and the issuance and sale of the Shares and the compliance by the Company with all of the provisions of this Agreement will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject.

(j) Trading Cushion. The Selling Period for any previous Issuance Notice shall have expired.

(k) Maximum Issuance Amount. In no event may the Company issue an Issuance Notice to sell an Issuance Amount to the extent that (I) the sum of (x) the requested Issuance Amount plus (y) the number of Shares issued under all previous Issuances effected pursuant to this Agreement would exceed the Maximum Program Amount, or (II) the requested Issuance Amount exceeds 500,000 Shares.

(l) Prospectus Supplement and Issuance Supplement. (i) A supplement to the prospectus included in the Registration Statement (the "Prospectus Supplement"), in form and substance to be agreed upon by the parties, setting forth information regarding this Agreement including, without limitation, the Maximum Program Amount, shall have been filed with the Commission pursuant to Rule 424(b) promulgated by the Commission under the Securities Act within the time period required thereby and sufficient copies thereof delivered to BNYMCM on or prior to the Issuance Date.

(ii) If required by Section 4.01(ii), an Issuance Supplement, in form and substance to be agreed upon by the parties, shall have been filed with the Commission pursuant to Rule 424(b) promulgated by the Commission under the Securities Act within the time period required thereby and sufficient copies thereof delivered to BNYMCM on or prior to the Issuance Date.

(m) Counsel Letter. The counsel specified in Section 4.07, or other counsel selected by the Company and reasonably satisfactory to BNYMCM, shall have furnished to BNYMCM their written opinions, dated the Closing Date and each applicable date referred to in Section 4.07 hereof that is on or prior to such Issuance Date or Settlement Date, as the case may be, to the effect required by Section 4.07.

(n) Officer's Certificate. The Company shall have furnished or caused to be furnished to BNYMCM an officer's certificate executed by the Chief Executive Officer, the President, the Executive Vice President, the Treasurer or the Assistant Treasurer of the Company, dated the Closing Date and each applicable date referred to in

Section 4.09 hereof that is on or prior to such Issuance Date or Settlement Date, as the case may be, as to the matters specified in Section 2.02(ii).

(o) Other Documents. On the Closing Date and prior to each Issuance Date and Settlement Date, BNYMCM and its counsel shall have been furnished with such documents as they may reasonably require in order to evidence the accuracy and completeness of any of the representations or warranties, or the fulfillment of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Shares as herein contemplated shall be satisfactory in form and substance to BNYMCM and its counsel.

Section 5.02 Documents Required to be Delivered on each Issuance Date. BNYMCM's obligation to sell Shares pursuant to an Issuance hereunder shall additionally be conditioned upon the delivery to BNYMCM on or before the Issuance Date of a certificate in form and substance reasonably satisfactory to BNYMCM, executed by the Chief Executive Officer, the President, the Executive Vice President, the Treasurer or the Assistant Treasurer of the Company, to the effect that all conditions precedent to the delivery of such Issuance Notice shall have been satisfied as at the date of such certificate (which certificate shall not be required if the foregoing representations shall be set forth in the Issuance Notice).

Section 5.03 Suspension of Sales. The Company or BNYMCM may, upon notice to the other party in writing or by telephone (confirmed immediately by verifiable facsimile transmission), suspend any sale of Issuance Shares, and the Selling Period shall immediately terminate; provided, however, that such suspension and termination shall not affect or impair either party's obligations with respect to any Issuance Shares sold hereunder prior to the receipt of such notice. The Company agrees that no such notice shall be effective against BNYMCM unless it is made to one of the individuals named on Schedule 2 hereto, as such Schedule may be amended from time to time. BNYMCM agrees that no such notice shall be effective against the Company unless it is made to one of the individuals named on Schedule 2 hereto, as such Schedule may be amended from time to time.

ARTICLE VI INDEMNIFICATION AND CONTRIBUTION

Section 6.01 Indemnification by the Company. The Company agrees to indemnify and hold harmless BNYMCM, its officers, directors, employees and agents, and each Person, if any, who controls BNYMCM within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, together with each such Person's respective officers, directors, employees and agents (collectively, the "Controlling Persons"), from and against any and all losses, claims, damages or liabilities, and any action or proceeding in respect thereof, to which BNYMCM, its officers, directors, employees and agents, and any such Controlling Person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the

Registration Statement, the Prospectus or any other prospectus relating to the Shares, or any amendment or supplement thereto, or any preliminary prospectus, or arise out of, or are based upon, any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus or any amendment or supplement thereto or any preliminary prospectus, in light of the circumstances in which they were made) not misleading, except insofar as the same are made in reliance upon and in conformity with information furnished in writing to the Company by BNYMCM expressly for use therein, and the Company shall reimburse BNYMCM, its officers, directors, employees and agents, and each Controlling Person for any reasonable legal and other expenses incurred thereby in investigating or defending or preparing to defend against any such losses, claims, damages or liabilities, or actions or proceedings in respect thereof, as such expenses are incurred.

Section 6.02 Indemnification by BNYMCM. BNYMCM agrees to indemnify and hold harmless the Company, its officers, directors, employees and agents and each Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, together with each such Person's respective officers, directors, employees and agents, from and against any losses, claims, damages or liabilities, and any action or proceeding in respect thereof, to which the Company, its officers, directors, employees or agents, any such controlling Person and any officer, director, employee or agent of such controlling Person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as losses, claims, damages or liabilities (or action or proceeding in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Prospectus or any other prospectus relating to the Shares, or any amendment or supplement thereto, or any preliminary prospectus, or arise out of, or are based upon, any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus or any other prospectus relating to the Shares, or any amendment or supplement thereto or any preliminary prospectus, in light of the circumstances in which they were made) not misleading in each case to the extent, but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made therein in reliance upon and in conformity with written information furnished to the Company by BNYMCM expressly for use therein, and BNYMCM shall reimburse the Company, its officers, directors, employees and agents, and any such Controlling Person and any officer, director, employee or agent of such Controlling Person for any reasonable legal and other expenses incurred thereby in investigating or defending or preparing to defend against any such losses, claims, damages or liabilities, or actions or proceedings in respect thereof, as such expenses are incurred.

Section 6.03 Conduct of Indemnification Proceedings. Promptly after receipt by any Person (an "Indemnified Party") of notice of any claim or the commencement of any action in respect of which indemnity may be sought pursuant to Section 6.01 or 6.02, the Indemnified Party shall, if a claim in respect thereof is to be made against the Person against whom such indemnity may be sought (an "Indemnifying Party"), notify the Indemnifying Party in writing of the claim or the commencement of such action. In the event an Indemnified Party shall fail to give such notice as provided in this Section 6.03

and the Indemnifying Party to whom notice was not given was unaware of the proceeding to which such notice would have related and was materially prejudiced by the failure to give such notice, the indemnification provided for in Sections 6.01 or 6.02 shall be reduced to the extent of any actual prejudice resulting from such failure to so notify the Indemnifying Party; provided, that the failure to notify the Indemnifying Party shall not relieve it from any liability that it may have to an Indemnified Party otherwise than under Section 6.01 or 6.02. If any such claim or action shall be brought against an Indemnified Party, the Indemnifying Party shall be entitled to participate therein, and, to the extent that it wishes, jointly with any other similarly notified Indemnifying Party, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Party. After notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense of such claim or action, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided that the Indemnified Party shall have the right to employ separate counsel to represent the Indemnified Party, but the fees and expenses of such counsel shall be for the account of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) such Indemnified Party reasonably concludes that representation of both parties by the same counsel would be inappropriate due to actual or potential conflicts of interest with the Company, it being understood, however, that the Indemnifying Party shall not, in connection with any one such claim or action or separate but substantially similar or related claims or actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for all Indemnified Parties or for fees and expenses that are not reasonable. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any claim or pending or threatened proceeding in respect of which the Indemnified Party is or could have been a party and indemnification could have been sought hereunder by such Indemnified Party unless such settlement includes an unconditional release of each such Indemnified Party from all losses, claims, damages or liabilities arising out of such claim or proceeding and such settlement does not admit or constitute an admission of fault, guilt, failure to act or culpability on the part of any such Indemnified Party. Whether or not the defense of any claim or action is assumed by an Indemnifying Party, such Indemnifying Party will not be subject to any liability for any settlement made without its prior written consent, which consent will not be unreasonably withheld.

Section 6.04 Contribution. If for any reason the indemnification provided for in this Article VI is unavailable to the Indemnified Parties in respect of any losses, claims, damages or liabilities referred to herein, then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities as between the Company, on the one hand, and BNYMCM, on the other hand, in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and BNYMCM on the other hand from the offering of the Shares to which such losses, claims, damages or liabilities relate. If, however, the allocation provided by

the immediately preceding sentence is not permitted by applicable law, then each Indemnifying Party shall contribute to such amount paid or payable by such Indemnifying Party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and of BNYMCM in connection with such statements or omissions, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and by BNYMCM, on the other, shall be deemed to be in the same proportion as the total net proceeds from the sale of Shares (before deducting expenses) received by the Company bear to the total commissions received by BNYMCM in respect thereof. The relative fault of the Company, on the one hand, and of BNYMCM, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on one hand or by BNYMCM on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and BNYMCM agree that it would not be just and equitable if contribution pursuant to this Section 6.04 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any reasonable legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6.04, BNYMCM shall in no event be required to contribute any amount in excess of the commissions received by it under this Agreement. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 6.04 each officer, director, employee and agent of BNYMCM, and each Controlling Person, shall have the same rights to contribution as BNYMCM, and each director of the Company, each officer of the Company who signed the Registration Statement, and each Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company. The obligations of the Company and BNYMCM under this Article VI shall be in addition to any liability that the Company and BNYMCM may otherwise have.

ARTICLE VII TERMINATION

Section 7.01 Term. Subject to the provisions of this Article VII, the term of this Agreement shall run until the end of the Commitment Period.

Section 7.02 Termination by BNYMCM. (a) BNYMCM may terminate the right of the Company to effect any Issuances under this Agreement upon one (1) Trading Day's notice if any of the following events shall occur:

(i) the Company or any Material Subsidiary shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for all or substantially all of its property or business; or such a receiver or trustee shall otherwise be appointed;

(ii) bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company or any of its Material Subsidiaries;

(iii) the Company shall fail to maintain the listing of the Common Stock on the Principal Market; or

(iv) since the Effective Date, there shall have occurred any event, development or state of circumstances or facts that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) BNYMCM shall have the right, by giving ten (10) days' notice as hereinafter specified, to terminate this Agreement, in BNYMCM's sole discretion, at any time.

Section 7.03 Termination by the Company. The Company shall have the right, by giving ten (10) days' notice as hereinafter specified, to terminate this Agreement in the Company's sole discretion at any time. After delivery of such notice, the Company shall no longer have any right to deliver any Issuance Notices hereunder.

Section 7.04 Liability; Provisions that Survive Termination. If this Agreement is terminated pursuant to this Article VII, such termination shall be without liability of any party to any other party except as provided in Section 9.02 and for the Company's and BNYMCM's respective obligations with respect to shares sold by BNYMCM in respect of all Issuance Notices deemed delivered pursuant to Section 2.03(b) prior to the expiration of the notice period set forth in Section 7.02 and 7.03, as applicable, and provided further that in any case the provisions of Article VI, Article VIII and Article IX shall survive termination of this Agreement without limitation.

ARTICLE VIII REPRESENTATIONS AND WARRANTIES TO SURVIVE DELIVERY

All representations and warranties of the Company herein or in certificates delivered pursuant hereto shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of BNYMCM and its officers, directors, employees and agents and any Controlling Persons, (ii) delivery and acceptance of the Shares and payment therefor or (iii) any termination of this Agreement.

ARTICLE IX MISCELLANEOUS

Section 9.01 Press Releases and Disclosure. No party hereto shall issue any press release or like public statement (other than in the case of the Company, any disclosure required in reports filed with the Commission pursuant to the Exchange Act) related to this Agreement or any of the transactions contemplated hereby not substantially similar to previously approved disclosure without the prior written approval of the other party hereto, except as may be necessary or appropriate in the opinion of the party seeking to make disclosure to comply with the requirements of applicable law or stock exchange rules. If any such press release or like public statement is so required, the party making such disclosure shall consult with the other party prior to making such disclosure, and the parties shall use all reasonable efforts, acting in good faith, to agree upon a text for such disclosure that is reasonably satisfactory to all parties.

Section 9.02 Expenses. The Company covenants and agrees with BNYMCM that the Company shall pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the preparation, printing and filing of the Registration Statement, the Prospectus and any Issuance Supplements and all other amendments and supplements thereto and the mailing and delivering of copies thereof to BNYMCM and the Principal Exchanges; (ii) BNYMCM's reasonable documented out-of-pocket expenses, including the reasonable fees, disbursements and expenses of counsel for BNYMCM up to \$25,000 (including in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 4.02 hereof and in connection with preparing any blue sky survey) in connection with this Agreement and the Registration Statement and ongoing services in connection with the transactions contemplated hereunder; (iii) the cost (other than those expenses described in clause (ii) above) of printing, preparing or reproducing this Agreement and any other documents in connection with the offering, sale and delivery of the Shares; (iv) all filing fees and expenses (other than those expenses described in clause (ii) above) in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 4.02 hereof; (v) the cost of preparing the Shares; (vi) the fees and expenses of any transfer agent of the Company; (vii) the cost of providing any CUSIP or other identification numbers for the Shares; (viii) the fees and expenses incurred in connection with the listing or qualification of the Shares on the Principal Market and any filing fees incident to any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Shares in connection with this Agreement and the Registration Statement (including the reasonable fees, disbursements and expenses of counsel for BNYMCM), and (ix) all other costs and expenses incident to the performance of the Company's obligations hereunder that are not otherwise specifically provided for in this Section. During the term of this Agreement, the Company shall pay BNYMCM's attorneys' fees in the amount of \$10,000 for each fiscal quarter for its quarterly due diligence review.

Section 9.03 Notices. All notices, demands, requests, consents, approvals or other communications required or permitted to be given hereunder or that are given with respect to this Agreement shall be in writing and shall be personally

served or deposited in the mail, registered or certified, return receipt requested, postage prepaid or delivered by reputable air courier service with charges prepaid, or transmitted by hand delivery, telegram, telex or facsimile, addressed as set forth below, or to such other address as such party shall have specified most recently by written notice: (i) if to the Company to: Avista Corporation, 1411 East Mission Avenue, Spokane, WA 99202, Attention: Marian M. Durkin, Esq., Facsimile No.: 509-495-4361, with a copy (which shall not constitute notice) to: Dewey & LeBoeuf LLP, 1301 Avenue of the Americas, New York, NY 10019, Attention: J. Anthony Terrell, Esq. and Michael F. Fitzpatrick, Esq., Facsimile No.: 212-259-6333; and (ii) if to BNYMCM, BNY Mellon Capital Markets, LLC, 32 Old Slip, 15th Floor, New York, NY 10286, Attention: Daniel C. de Menocal, Jr., Facsimile No.: 212-804-5832, with a copy (which shall not constitute notice) to: Latham & Watkins LLP, 355 S. Grand Avenue, Los Angeles, CA 90071-1560, Attention: J. Scott Hodgkins, Esq., Facsimile No.: 213-891-8763. Except as set forth in Section 5.03, notice shall be deemed given on the date of service or transmission if personally served or transmitted by telegram, telex or confirmed facsimile. Notice otherwise sent as provided herein shall be deemed given on the third business day following the date mailed or on the next business day following delivery of such notice to a reputable air courier service for next day delivery.

Section 9.04 Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, representations, understandings, negotiations and discussions between the parties, whether oral or written, with respect to the subject matter hereof.

Section 9.05 Amendment and Waiver. This Agreement may not be amended, modified, supplemented, restated or waived except by a writing executed by the party against which such amendment, modification, supplement, restatement or waiver is sought to be enforced. Waivers may be made in advance or after the right waived has arisen or the breach or default waived has occurred. Any waiver may be conditional. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof nor of any other agreement or provision herein contained. No waiver or extension of time for performance of any obligations or acts shall be deemed a waiver or extension of the time for performance of any other obligations or acts.

Section 9.06 No Assignment; No Third Party Beneficiaries. This Agreement and the rights, duties and obligations hereunder may not be assigned or delegated by the Company or BNYMCM. Any purported assignment or delegation of rights, duties or obligations hereunder shall be void and of no effect. This Agreement and the provisions hereof shall be binding upon and shall inure to the benefit of each of the parties and their respective successors and, to the extent provided in Article VI, the controlling persons, officers, directors, employees and agents referred to in Article VI. This Agreement is not intended to confer any rights or benefits on any Persons other than as set forth in Article VI or elsewhere in this Agreement.

Section 9.07 Severability. This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

Section 9.08 Further Assurances. Each party hereto, upon the request of any other party hereto, shall do all such further acts and execute, acknowledge and deliver all such further instruments and documents as may be necessary or desirable to carry out the transactions contemplated by this Agreement.

Section 9.09 Titles and Headings. Titles, captions and headings of the sections of this Agreement are for convenience of reference only and shall not affect the construction of any provision of this Agreement.

Section 9.10 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, INTERPRETED UNDER AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED WITHIN THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS THEREOF.

Section 9.11 Submission to Jurisdiction. Any action, suit or proceeding to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in any federal court located in the Southern District of the State of New York or any New York state court located in the Borough of Manhattan, and the Company agrees to the exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) and each party waives (to the full extent permitted by law) any objection it may have to the laying of venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding has been brought in an inconvenient forum.

Section 9.12 Waiver of Jury Trial. The Company and BNYMCM each hereby irrevocably waives any right it may have to a trial by jury in respect of any claim based upon or arising out of this Agreement or any transaction contemplated hereby.

Section 9.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument. Delivery of an executed Agreement by one party to the other may be made by facsimile transmission.

Section 9.14 Adjustments for Stock Splits, etc. The parties acknowledge and agree that share-related numbers contained in this Agreement (including the minimum Floor Price) shall be equitably adjusted to reflect stock splits, stock dividends, reverse stock splits, combinations and similar events.

Section 9.15 No fiduciary duty.The Company acknowledges and agrees that BNYMCM is acting solely in the capacity of an arm's length contractual counterparty to the Company with respect to the offering of Shares contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Company or any other person and will not claim that BNYMCM is acting in such capacity in connection with the offering of the Shares contemplated hereby. Additionally, BNYMCM is not advising the Company or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction with respect to the offering of Shares contemplated hereby. The Company shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and BNYMCM shall have no responsibility or liability to the Company with respect thereto. Any review by BNYMCM of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of BNYMCM and shall not be on behalf of the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

AVISTA CORPORATION

By: _____

Name:

Title:

BNY MELLON CAPITAL MARKETS, LLC.

By: _____

Name:

Title:

EXHIBIT A
ISSUANCE NOTICE

[Date]

BNY Mellon Capital Markets, LLC
32 Old Slip, 15th Floor
New York, NY 10286
Fax: (212) 804-5832

Attn: Daniel C. de Menocal and Harold Skirlis

Reference is made to the Amended and Restated Sales Agency Agreement between Avista Corporation (the "Company") and BNY Mellon Capital Markets, LLC dated as of December 16, 2009. The Company confirms that all conditions to the delivery of this Issuance Notice are satisfied as of the date hereof.

Effective Date of Delivery of Issuance Notice (determined pursuant to Section 2.03(b)):	_____
Number of Days in Selling Period:	_____
First Date of Selling Period:	_____
Last Date of Selling Period:	_____
Settlement Date(s):	Third Trading Day after each sale
Issuance Amount:	_____
Floor Price*:	\$ _____ per share

*The Floor Price shown above shall be applicable to any Issuance Shares to be sold during such Selling Period. Such Floor Price may be adjusted by the Company during such Issuance Period, but shall not be less than \$1.00. Notwithstanding the foregoing, in no event shall the Floor Price for any Issuance Shares be less than \$0.25 below the last sale price at which such Issuance Shares were quoted on the record of composite transactions reported by The Wall Street Journal on the business day immediately preceding the day for the fixing of the price of such Issuance Shares.

Additional Restrictions:

Comments:

AVISTA CORPORATION

By: _____
Name:
Title

EXHIBIT B (1)

[Form of Opinion of Marian M. Durkin, Esq.]

[Date]

BNY Mellon Capital Markets, LLC
32 Old Slip, 15th Floor
New York, New York 10286

Ladies and Gentlemen:

I am a Senior Vice President, and the General Counsel and Chief Compliance Officer of Avista Corporation, a Washington corporation (the "Company"), and, together with Dewey & LeBoeuf LLP, have acted as counsel to the Company in connection with the proposed issuance and sale by the Company of up to 1,250,000 shares of the Company's common stock, no par value (the "Shares"), as contemplated by the Amended and Restated Sales Agency Agreement, dated as of December 16, 2009 (the "Sales Agency Agreement"), between the Company and BNY Mellon Capital Markets, LLC. This letter is being delivered pursuant to Section 2.02 of the Sales Agency Agreement. Capitalized terms used herein without definition have the meanings ascribed thereto in the Sales Agency Agreement.

I have reviewed (1) the Restated Articles of Incorporation, as amended, and the Bylaws of the Company, (2) a Certificate of Existence/Authorization issued by the Secretary of State of the State of Washington with respect to the Company and with respect to each of Avista Capital and Advantage IQ, (3) the Sales Agency Agreement; (4) the Registration Statement and the Prospectus, including the documents incorporated by reference into the Registration Statement and the Prospectus (the "Incorporated Documents"), it being understood that the terms "Registration Statement" and "Prospectus" are deemed to include the Incorporated Documents, (5) the Commission Orders, (6) the agreements listed on Schedule I hereto and (7) various corporate records and other documents relating to the authorization of the issuance and sale by the Company of the Shares. For purposes of rendering the opinion expressed in paragraph (5) below, I have, in addition, relied upon searches for Liens (as such term is defined in paragraph (5)) performed through performed through September 8, 2009 by independent firms, and I have assumed that no Liens were perfected after such dates. I have also examined such other documents and satisfied myself as to such other matters as I have deemed necessary in order to deliver this letter.

As to various questions of fact relevant to the opinions set forth below (but not as to the legal conclusions contained therein), I have relied, with your consent, upon certificates of public officials and officers or other employees of the Company, representations of the Company in the Sales Agency Agreement, and other oral or written assurances by officers or other employees of the Company.

On the basis of the foregoing, and subject to the qualifications set forth herein, I am of the opinion that:

1. the Company is validly existing as a corporation under the laws of the State of Washington and is duly authorized to transact business as a foreign corporation in the States of Idaho, Montana and Oregon;
2. the Company has all requisite corporate power and authority to own operate and lease the properties and to carry on the business described in the Prospectus and to enter into and perform the Sales Agency Agreement; the Company has all material regulatory approvals and authorizations required to transact an electric and gas public utility business, as applicable, in the States of Washington, Idaho, Montana and Oregon;
3. each of Avista Capital and Advantage IQ is validly existing as a corporation under the laws of the State of Washington;
4. all of the outstanding shares of capital stock of Avista Capital and all of the outstanding shares of common stock of Advantage IQ, have been duly authorized and issued, and are fully-paid and non-assessable (all shares of capital stock of Avista Capital and Advantage IQ that are owned directly or indirectly by the Company being hereafter called the "Subsidiary Shares");
5. no person holds a Perfected Security Interest (as hereinafter defined) in any of the Subsidiary Shares; and I further advise you that (a) to the best of my knowledge, based solely on the Lien searches referred to above and discussions with and representations by officers of the Company and Avista Capital, neither the Company nor Avista Capital, as the case may be, has granted any Lien on any of the Subsidiary Shares which remains in effect and (b) nothing came to my attention as a result of such Lien searches or in the course of such discussions that leads me to believe that any person holds or claims to hold any Lien on any of the Subsidiary Shares. As used herein, the term "Security Interest" means a "security interest" as defined in Section 1-201(37) of the Uniform Commercial Code of the State of Washington (the "Washington UCC") to which Article 9 of the Washington UCC is applicable, the term "Perfected Security Interest" means a Security Interest that is properly perfected under Article 9 of the Washington UCC by filing or possession, and the term "Lien" means a Security Interest or other lien or encumbrance;
6. the Sales Agency Agreement has been duly authorized, executed and delivered by the Company;
7. the Company has an authorized capitalization as set forth in the Prospectus, and the Shares have been duly and validly authorized, and, when issued and delivered and paid for as provided in the Sales Agency Agreement, will be

fully paid and nonassessable, and will not be subject to any preemptive or similar rights;

8. the Shares conform in all material respects to the description thereof contained in the Prospectus under "Description of Common Stock";
9. the execution and delivery by the Company of the Sales Agency Agreement and the performance by the Company of its obligations thereunder, including without limitation the issuance and sale by the Company of the Shares will not (A) conflict with the Company's Restated Articles of Incorporation, as amended, or By-laws, or (B) violate any law of the State of Washington, Idaho, Montana or Oregon, or any rule or regulation thereunder, to which the Company is subject and which, based on my experience, is generally applicable to transactions of the character contemplated by the Prospectus, or any order known to me (after reasonable investigation) applicable to the Company under any such law, rule or regulation of any court or governmental body or instrumentality having jurisdiction over the Company or any of its properties (it being understood that for the purpose of the opinion expressed in this clause (B) of paragraph (9), I am not passing upon state securities or "blue sky" laws or upon compliance with respect to antifraud or similar provisions of any law, rule or regulation or (C) result in a breach or violation of, or constitute a default under, any of the instruments listed on Schedule I to this letter; and
10. The WUTC, the IPUC and the OPUC have authorized the issuance and sale by the Company of the Shares on the terms set forth in or contemplated by the related Commission Orders; the MPSC has disclaimed jurisdiction over the issuance of securities and the creation of liens by the Company pursuant to, and on the terms set forth in the Exemptive Order; to my knowledge, the Commission Orders are in full force and effect as of the date hereof; and, except for informational filings required under the Commission Orders, no further approval, authorization, consent or other order of or filing with any court or governmental agency or body of the State of Washington, Idaho, Montana or Oregon, or of the United States of America, is required for the authorization of the issuance and sale by the Company of the Shares in accordance with the terms of the Sales Agency Agreement or in order for the Shares to constitute validly issued shares of the common stock of the Company.

To the best of my knowledge and other than as set forth in the Registration Statement, there are no legal or governmental proceedings, either pending or threatened in writing, to which the Company or any of its subsidiaries is a party, or to which the Company, any of its subsidiaries, or any of its properties is subject, and which are material to the Company and its subsidiaries as a whole, other than ordinary, routine legal or governmental proceedings incidental to the kinds of business conducted by the Company and its subsidiaries.

In the course of the preparation by the Company of the Registration Statement and the Prospectus, I participated in conferences with certain other officers and employees of the Company, with other counsel to the Company, with you and your counsel, and with Deloitte & Touche LLP, the registered public accounting firm which examined certain of the financial statements included in the Registration Statement and the Prospectus. I note that I have not reviewed the Company's financial or operating records or books of account; nor have I endeavored otherwise to make any independent verification of the accuracy or completeness of the information included by the Company in the Registration Statement or the Prospectus or the representations and statements made to me by other officers or employees of the Company, and I take no responsibility therefor, except insofar as such information relates to me.

On the basis of my review of the Registration Statement and the Prospectus described above, I advise you that nothing has come to my attention that leads me to believe that:

1. the Registration Statement, as of [the Closing Date or the date of any amendment or supplement contemplated by Section 4.07 of the Agreement, as applicable], contained an untrue statement of material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading;
2. the Prospectus, as of its date or as of the date hereof, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or
3. there are any contracts which were required to be filed as exhibits to the Registration Statement which were not so filed;

it being understood that I do not express any belief as to any financial statements (including the notes and schedules thereto) or other financial or accounting data contained in (or omitted from) the Registration Statement or Prospectus.

I am a member of the Bar of the State of Washington, and the opinions expressed above are limited to the laws of that State, the States of Idaho, Montana and Oregon and the federal laws of the United States. To the extent that such opinions relate to or are dependent upon matters governed by the laws of the State of Idaho, Montana or Oregon, I have relied upon advice rendered to me by other counsel to the Company admitted to practice in such State whom I consider competent. In addition, to the extent that the opinions enumerated above relate to or are dependent upon matters governed by the federal securities laws, the Federal Power Act, as amended, or the Public Utility Holding Company Act of 2005, I have relied upon the corresponding opinions expressed in the letter of even date herewith delivered to you by Dewey & LeBoeuf LLP, subject to the same assumption, qualifications, and limitations set forth in such letter of Dewey & LeBoeuf LLP.

Dewey & LeBoeuf LLP is hereby authorized to rely upon this letter as to all matters governed by the law of the State of Washington, Idaho, Montana or Oregon. This letter is not being delivered for the benefit of, nor may it be relied upon by or furnished to, the holders of the Shares or any other party to which it is not specifically addressed or to which reliance is not expressly permitted hereby.

Very truly yours,

Marian M. Durkin
Senior Vice President, General
Counsel and Chief Compliance
Officer

**Schedule I
to Marian M.
Durkin Opinion**

- (1) Receivables Purchase Agreement, dated as of May 29, 2002, as amended, among Avista Receivables Corporation, as Seller, Avista Corporation, as Servicer, Ranger Funding Company, LLC, as Conduit Purchaser and Bank of America, N.A., as Committed Purchaser and as Administrator;
- (2) Credit Agreement, dated as of December 17, 2004 (as amended by Amendment No. 1, dated as of April 6, 2006, and Amendment No. 2, dated as of December 19, 2008) among the Company, the Banks listed therein, Bank of America, N.A., as Managing Agent, Keybank National Association and U.S. Bank, National Association, as Documentation Agents, Wells Fargo Bank, National Association as Documentation Agent and an Issuing Bank, Union Bank of California, N.A., as Syndication Agent and an Issuing Bank, and The Bank of New York, as Administrative Agent and an Issuing Bank;
- (3) Credit Agreement, dated as of November 25, 2009 among Avista Corporation, the Banks listed therein, JPMorgan Chase Bank, N.A. and UBS Securities LLC, as Co-Documentation Agents, Wells Fargo Securities, LLC, as Syndication Agent, Union Bank, N.A., as Administrative Agent;
- (4) Letter of Credit and Reimbursement Agreement, dated as of December 1, 2008, between Avista Corporation and Bank of America, N.A., relating to \$17,000,000 Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) Series 2008.

[Schedule I to each opinion of Marian M. Durkin, Esq. rendered after the Closing Date shall include a reference to each other agreement or other instrument relating to indebtedness for borrowed money (and each other agreement or instrument of similar tenor or effect) (i) to which the Company is a party and (ii) which is filed as an exhibit to the Company's Exchange Act reports, unless such agreement or instrument shall be referred to in Schedule I to the corresponding opinion of Dewey & LeBoeuf LLP.]

EXHIBIT B(2)

[Form of Opinion of Dewey & LeBoeuf LLP]

[Date]

BNY Mellon Capital Markets, LLC
32 Old Slip, 15th Floor
New York, New York 10286

Ladies and Gentlemen:

We, together with Marian M. Durkin, Esq., a Senior Vice President, the General Counsel and the Chief Compliance Officer of Avista Corporation, a Washington corporation (the "Company"), have acted as counsel to the Company in connection with the proposed issuance and sale by the Company of up to 1,250,000 shares of the Company's common stock, no par value (the "Shares"), as contemplated by the Amended and Restated Sales Agency Agreement, dated as of December 16, 2009 (the "Sales Agency Agreement"), between the Company and BNY Mellon Capital Markets, LLC. This letter is being delivered pursuant to Section 2.02 of the Sales Agency Agreement. Capitalized terms used herein without definition have the meanings ascribed thereto in the Sales Agency Agreement.

We have reviewed (1) the Restated Articles of Incorporation, as amended, and the Bylaws of the Company, (2) a Certificate of Existence/Authorization issued by the Secretary of State of the State of Washington with respect to the Company and with respect to each of Avista Capital and Advantage IQ, (3) the Sales Agency Agreement; (4) the Registration Statement and the Prospectus, including the documents incorporated by reference into the Registration Statement and the Prospectus (the "Incorporated Documents"), it being understood that the terms "Registration Statement" and "Prospectus" are deemed to include the Incorporated Documents, (5) the agreements listed on Schedule I hereto and (6) various corporate records and other documents relating to the authorization of the issuance and sale by the Company of the Shares. For purposes of rendering the opinion expressed in paragraph (5) below, we have, in addition, relied upon searches for Liens (as such term is defined in paragraph (5)) performed through September 8, 2009 by independent firms, and we have assumed that no Liens were perfected after such dates. We have also examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to deliver this letter.

As to various questions of fact relevant to the opinions set forth below (but not as to the legal conclusions contained therein), we have relied, with your consent, upon certificates of public officials and officers or other employees of the Company, representations of the

Company in the Sales Agency Agreement, and other oral or written assurances by officers or other employees of the Company.

On the basis of the foregoing, and subject to the qualifications set forth herein, we are of the opinion that:

1. the Company is validly existing as a corporation under the laws of the State of Washington and is duly authorized to transact business as a foreign corporation in the States of Idaho, Montana and Oregon;
2. the Company has all requisite corporate power and authority to own operate and lease the properties and to carry on the business described in the Prospectus and to enter into and perform the Sales Agency Agreement;
3. each of Avista Capital and Advantage IQ is validly existing as a corporation under the laws of the State of Washington;
4. all of the outstanding shares of capital stock of Avista Capital and all of the outstanding shares of common stock of Advantage IQ, have been duly authorized and issued, and are fully-paid and non-assessable (all shares of capital stock of Avista Capital that are owned by the Company being hereafter called the "Avista Capital Shares");
5. no person holds a Perfected Security Interest (as hereinafter defined) in any of the Avista Capital Shares; and we further advise you that (a) to the best of our knowledge, based solely upon the Lien searches referred to above and discussions with and representations by officers of the Company, the Company has not granted any Lien on any of the Avista Capital Shares which remains in effect and (b) nothing came to our attention as a result of such Lien searches or in the course of such discussions that leads us to believe that any person holds or claims to hold any Lien on any of the Avista Capital Shares. As used herein, the term "Security Interest" has the meaning assigned thereto in Section 1-201(37) of the Uniform Commercial Code of the State of Washington (the "Washington UCC") to which Article 9 of the Washington UCC is applicable, the term "Perfected Security Interest" means a Security Interest that is properly perfected under Article 9 of the Washington UCC by filing or possession, and the term "Lien" means a Security Interest or other lien or encumbrance;
6. the Sales Agency Agreement has been duly authorized, executed and delivered by the Company;
7. the Shares have been duly and validly authorized, and, when issued and delivered and paid for as provided in the Sales Agency Agreement, will be fully paid and nonassessable, and will not be subject to any preemptive or similar rights;
8. the execution and delivery by the Company of the Sales Agency Agreement and the performance by the Company of its obligations thereunder, including without limitation the issuance and sale by the Company of the Shares will not (A)

conflict with the Company's Restated Articles of Incorporation, as amended, or By-laws, or (B) violate the federal securities laws, the Federal Power Act, as amended, or the Public Utility Holding Company Act of 2005, or any rule or regulation under any thereof, or any law of the State of New York or any rule or regulation thereunder, to which the Company is subject and which, based on our experience, is generally applicable to transactions of the character contemplated by the Prospectus, or any order known to us (after reasonable investigation) applicable to the Company under any such law, rule or regulation of any court or governmental body or instrumentality having jurisdiction over the Company or any of its properties (it being understood that for the purpose of the opinion expressed in this clause (B) of paragraph (12), we are not passing upon state securities or "blue sky" laws or upon compliance with respect to antifraud or similar provisions of any law, rule or regulation) or (C) result in a breach or violation of, or constitute a default under, any of the instruments listed on Schedule I to this letter;

9. except for the Commission Orders and informational filings required thereunder, no approval, authorization, consent or other order of or filing with any court or governmental agency or body of the State of Washington, Idaho, Montana, Oregon or New York, or of the United States of America, is required for the authorization of the issuance and sale by the Company of the Shares in accordance with the terms of the Sales Agency Agreement or in order for the Shares to constitute validly issued shares of the common stock of the Company;
10. the Company is not an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;
11. the statements set forth in the Prospectus under the caption "Description of Common Stock", insofar as they purport to constitute a summary of the terms of the Shares, and under the caption "Plan of Distribution", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate in all material respects; and
12. the Registration Statement, as of [the Closing Date or the date of any amendment or supplement contemplated in Section 4.07 of the Agreement, as applicable], and Prospectus, as of such date, complied as to form in all material respects with the applicable requirements of the Act and the Trust Indenture Act and the applicable instructions, rules and regulations promulgated thereunder, provided that we express no opinion as to the financial statements (including the notes and schedules thereto) and other financial and accounting data contained therein (or omitted therefrom); the Registration Statement has become effective under the Act and, to the best of our knowledge, no proceedings for a stop order with respect thereto are pending or threatened under Section 8(d) of the Act; and the Prospectus has been filed in accordance with Rule 415 under the Act.

We act as counsel to the Company primarily with respect to general compliance with the federal securities laws and specific financing and other corporate transactions. Our

engagement regarding such compliance is limited to advising the Company as to the requirements of such laws and the rules and regulations of the Commission thereunder, assisting the Company in the assessment of the materiality of particular matters brought to our attention and generally reviewing, with a view toward such compliance, drafts prepared by the Company of reports and other documents to be filed with the Commission, including the Incorporated Documents. We have not acted as general counsel to the Company and have not attended meetings of the Board of Directors of the Company, or committees thereof, or of officers of the Company; nor have we otherwise been in a position to become aware of matters not specifically brought to our attention by officers or other employees of, or other counsel to, the Company.

Accordingly, in the course of the preparation by the Company of the Registration Statement and the Prospectus, we participated in conferences with certain officers and other employees of the Company, with other counsel to the Company including its General Counsel, with you and your counsel, and with Deloitte & Touche LLP, the registered public accounting firm which examined certain of the financial statements included in the Registration Statement and the Prospectus. We note that we have not reviewed the Company's financial or operating records or books of account; nor have we endeavored otherwise to make any independent verification of the accuracy or completeness of the information included by the Company in the Registration Statement, or the Prospectus or the representations and statements made to us by the Company, and we take no responsibility therefor, except insofar as such information relates to us and as set forth in paragraph (11) above. In passing upon the forms of the Registration Statement and the Prospectus, we have, therefor, assumed the accuracy and completeness of such information, representations and statements.

On the basis of our review of the Registration Statement and the Prospectus described above, we advise you that nothing has come to our attention that leads us to believe that:

1. the Registration Statement, as of [the Closing Date or the date of any amendment or supplement contemplated by Section 4.07 of the Agreement, as applicable] contained an untrue statement of material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading;
2. the Prospectus, as of its date or as of the date hereof, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

provided, however, that we do not express any belief as to any financial statements (including the notes and schedules thereto) or other financial or accounting data contained in (or omitted from) the Registration Statement or Prospectus.

The opinions expressed above are limited to the laws of the States of New York, Washington, Idaho, Montana and Oregon and the federal laws of the United States. To the extent that such opinions relate to or are dependent upon matters governed by the

laws of the State of Washington, Idaho, Montana or Oregon, we have relied upon the corresponding opinions expressed in the letter of even date herewith delivered to you by Marian M. Durkin, Esq., Senior Vice President, General Counsel and Chief Compliance Officer of the Company, subject to the same assumptions, qualifications and limitations with respect to such matters as are contained in such letter, and have assumed all other legal conclusions set forth in such letter.

Marian M. Durkin, Esq. is hereby authorized to rely upon this letter as to all matters governed by the federal securities laws, the Federal Power Act, as amended, or the Public Utility Holding Company Act of 2005. The Bank of New York, as Transfer Agent as Registrar is hereby authorized to rely upon this letter. This letter is not being delivered for the benefit of, nor may it be relied upon by or furnished to, the holders of the Shares or any other party to which it is not specifically addressed or to which reliance is not expressly permitted hereby.

Very truly yours,

DEWEY & LEBOEUF LLP

Schedule I
to Dewey & LeBoeuf
LLP Opinion

- (1) Mortgage and Deed of Trust, dated as of June 1, 1939, from the Company to Citibank, N.A., successor trustee, as amended and supplemented;
- (2) Indenture, dated as of July 1, 1988, of the Company to Chemical Bank (JPMorgan Chase Bank, N.A., successor), trustee;
- (3) Indenture, dated as of April 1, 1998, to The Chase Manhattan Bank (JPMorgan Chase Bank, N.A., successor), trustee, as supplemented;
- (4) Bond Delivery Agreement, dated as of December 17, 2004, between Avista Corporation and The Bank of New York.
- (5) Loan Agreement, Restated as of May 1, 2005, between the Company and the City of Forsyth, Rosebud County, Montana, and all agreements of the Company associated therewith;
- (6) Loan Agreement, dated as of December 1, 2008, between the Company and the City of Forsyth, Rosebud County, Montana;

[Schedule I to each opinion of Dewey & LeBoeuf LLP rendered after the Closing Date shall include a reference to each other agreement or other instrument relating to indebtedness for borrowed money (and each other agreement or instrument of similar tenor or effect) (i) to which the Company is a party and (ii) which is filed as an exhibit to the Company's Exchange Act reports, unless such agreement or instrument shall be referred to in Schedule I to the corresponding opinion of Marian M. Durkin, Esq.]

SCHEDULE 1
to
Sales Agency Agreement

BNYMCM

<u>Name:</u>	<u>Telephone Number:</u>
Daniel C. de Menocal	(212) 804-5094
Harry Skirlis	(201) 680-4494

Avista Corporation

<u>Name:</u>	<u>Telephone Number:</u>
Jason Thackston	(509) 495-8550
Diane C. Thoren	(509) 495-4331
Ryan Krasselt	(509) 495-2273
Denise Burns	(509) 495-4725
Damien Lysiak	(509) 495-2097

SCHEDULE 2
to
Sales Agency Agreement

BNYMCM

Daniel C. de Menocal
Harold Skirlis

Telephone: (212) 804-5094
Facsimile: (212) 804-5832
Address: 32 Old Slip, 15th Floor
New York, New York 10286

Avista Corporation

Mark T. Thies (509) 495-4693
Jason Thackston (509) 495-8550
Diane C. Thoren (509) 495-4331
Ryan Krasselt (509) 495-2273

Facsimile: (509) 495-4879
Address: 1411 East Mission Avenue
Spokane, Washington 99202