

AVISTA CORP
Form S-3ASR
November 25, 2008
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As filed with the Securities and Exchange Commission on November 25, 2008

Registration No. 333-[]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

AVISTA CORPORATION

(Exact name of Registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

91-0462470
(I.R.S. Employer
Identification No.)

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1411 East Mission Avenue

Spokane, Washington 99202

(509) 489-0500

(Address, including zip code, and telephone number, including area
code, of Registrant's principal executive offices)

MARIAN M. DURKIN

Senior Vice President,

General Counsel and

Chief Compliance Officer

Avista Corporation

1411 East Mission Avenue

Spokane, Washington 99202

(509) 489-0500

(Name and address, including zip code, and telephone number, including area code, of agents for service)

J. ANTHONY TERRELL

Dewey & LeBoeuf LLP

1301 Avenue of the Americas

New York, New York 10019

(212) 259-8000

Approximate date of commencement of proposed sale to the public: From time to time after the registration statement becomes effective, as determined by market and other conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, please check the following box.

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If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. "

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share (2)	Proposed maximum aggregate offering price (2)	Amount of registration fee (2) (5)
Common Stock (no par value)	596,202 shares	(2)	\$1	\$0
Preferred Share Purchase Rights (3)				(4)

- (1) In addition, pursuant to Rule 416(a) under the Securities Act of 1933, this registration statement also covers such indeterminable number of additional securities as may become deliverable as a result of stock splits, stock dividends or similar transactions.
- (2) This registration statement is filed in accordance with Rule 415(a)(6) under the Securities Act and registers only securities that were previously registered and remain unsold. In accordance with Rule 415(a)(6), no registration fee is due.
- (3) There are being registered hereunder such presently indeterminate number of shares of Avista Corporation common stock and appurtenant preferred stock purchase rights.
- (4) Since no separate consideration is paid for the preferred stock purchase rights, the registration fee for such securities is included in the registration fee for the Common Stock.
- (5) Prior to the filing of this registration statement 596,202 shares of Common Stock of the registrant remained registered and unsold under the registrants Registration Statement No. 333-63243 (filed on September 11, 1998). The registration fee of \$3,044.92 associated with the unsold securities from Registration Statement No. 333-63243 is being used to offset the registration fee associated with the securities to be registered pursuant to this registration statement.

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PROSPECTUS

Avista Corporation

DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

Shares of Common Stock

(no par value)

The Avista Corporation Direct Stock Purchase and Dividend Reinvestment Plan (the Plan) provides investors with a simple and convenient method of purchasing shares of our Common Stock and of investing their dividends in additional shares of Common Stock. The Plan provides that purchases of Common Stock may be made monthly. Shares of Common Stock will be either newly issued shares purchased directly from us or previously issued shares purchased on the open market, at our election. The price of shares if purchased on the open market will include a fee of \$.04 per share (which will include a brokerage commission).

Investors who are not already shareholders may become participants in the Plan by making an initial cash investment of \$250.

The Plan offers you the opportunity to:

Purchase Shares If you are a first-time investor, you may make your Initial Investment in shares of our Common Stock directly through the Plan. As a participant in the Plan, you can buy additional shares by reinvestment of all or a portion of your dividends and by making Optional Cash Payments.

Deposit Stock Certificates for Safekeeping Deliver stock certificates to the Plan Administrator for credit in the Plan in book-entry form.

Sell Shares Sell all or a portion of your shares of our Common Stock that are held through the Plan directly without having to deliver a certificate.

Initial Investments and Optional Cash Payments may be submitted at any time. Initial Investments and Optional Cash Payments received by the Plan Administrator by 12:00 noon Eastern time on the day prior to an Investment Date will be invested on such Investment Date or during the Investment Period in which such Investment Date occurs. The Investment Date will normally be the 15th of each month.

Initial Investments, Optional Cash Payments, notices of withdrawals or termination and all other written communications with respect to the Plan should be sent to:

Avista Corporation

c/o BNY Mellon Shareowner Services

Dividend Reinvestment Department

P.O. Box 358035

Pittsburgh, PA 15252-8035

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Phone: 1-800-642-7365

Website: www.bnymellon.com/shareowner/isd

The law in some jurisdictions requires us to offer shares to non-shareholders only through a registered broker/dealer. In those instances BNY Mellon Securities, a subsidiary of The Bank of New York Mellon, will make such offers as the registered broker/dealer.

Our Common Stock is listed on the New York Stock Exchange and Pacific Exchange. The ticker symbol is: AVA.

Investing in our Common Stock involves risks. See RISK FACTORS beginning on page 1 of this Prospectus.

PLEASE RETAIN THIS PROSPECTUS FOR FUTURE REFERENCE.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 25, 2008.

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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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RISK FACTORS

Investing in common stock 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 Avista's Annual Report on Form 10-K incorporated herein by reference in Item 1A "Risk Factors" and under "Forward Looking Statements" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" (all of which may be updated in Quarterly Reports on Form 10-Q filed subsequently to such Annual Report on Form 10-K and incorporated herein by reference).

In addition to the risks and uncertainties referred to above, there are certain risks associated with the proposed formation of a holding company as discussed under "Avista Corporation Proposed Formation of Holding Company" herein. The holding company structure would be accomplished by a statutory share exchange (the "Share Exchange") whereby each outstanding share of common stock of Avista ("Avista Common Stock") would be exchanged for one share of common stock of AVA Formation Corp. ("AVA" and "AVA Common Stock"), so that the holders of Avista Common Stock would become holders of AVA Common Stock and Avista would become a subsidiary of AVA. The additional risks associated with the formation of the holding company are described below.

If the Share Exchange were consummated, AVA's ability to pay dividends on AVA Common Stock would be subject to the prior rights of holders of AVA indebtedness and preferred stock.

At the effective time of the Share Exchange, the only class of AVA securities outstanding would be AVA Common Stock. However, AVA may from time to time thereafter issue debt securities and preferred stock, as well as additional shares of AVA Common Stock, in order to make capital contributions to one or more of its subsidiaries, although Avista would likely continue to issue its own debt securities and preferred stock. AVA could also guarantee indebtedness of non-utility subsidiaries. The issuance or guaranty of securities by AVA would not be subject to the prior approval of the state utility commissions or the Federal Energy Regulatory Commission. The consolidated enterprise could thus be more highly leveraged than Avista and its current subsidiaries. AVA's ability to pay dividends on AVA Common Stock would be subject to the prior rights of holders of AVA debt securities (including guarantees) and preferred stock.

In addition, the right of AVA, as a shareholder, to receive assets of any of its direct or indirect subsidiaries upon the subsidiary's liquidation or reorganization would be subject to the prior rights of the holders of existing and future debt securities and preferred stock issued by such subsidiaries, and, as in the case of dividends, the rights of holders of AVA Common Stock to receive any such assets would be subject to the prior rights of the holders of AVA's debt securities (including guarantees) and preferred stock.

If the Share Exchange were consummated, AVA's ability to pay dividends on AVA Common Stock would be dependent on the receipt of the dividends and other payments from AVA's subsidiaries.

If the Share Exchange were consummated, AVA would be a holding company and would not have any significant assets other than the shares of common stock of its subsidiaries, and therefore AVA would not produce any operating income of its own. As a result, AVA's ability to pay its indebtedness and to pay dividends on its capital stock would be dependent on the receipt of dividends and other payments from its subsidiaries.

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Avista and the other companies which would become AVA's direct and indirect subsidiaries are separate and distinct legal entities, managed by their own boards of directors, and, as is currently the case, would have no obligation to pay any amounts to their respective shareholders, whether through dividends, loans or other payments. The ability of these companies to pay dividends or make other distributions on their common stock is now, and would continue to be, subject to, among other things:

their results of operations, cash flows and financial condition, as well as the success of their business strategies and general economic and competitive conditions;

the prior rights of holders of existing and future debt securities and preferred stock issued by those companies; and

any applicable legal restrictions (including any imposed by state regulatory commissions).

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, in turn, based 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, without limitation, an examination of historical operating trends, data contained in our records and other data available from third parties. However, there can be no assurance that our expectations, beliefs or projections will be achieved or accomplished.

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AVISTA CORPORATION

General

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

We have 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 electricity and distributes natural gas. It also engages in wholesale purchases and sales of electricity and natural gas.

Advantage IQ an indirect subsidiary of Avista Corporation that provides facility information and cost management services for multi-site customers throughout North America. Advantage IQ's primary product lines include consolidated billing, resource accounting, energy analysis and loan profiling services.

Avista Corporation has other businesses, including sheet metal fabrication, venture fund investments and real estate investments, as well as certain natural gas storage facilities and a power purchase agreement held by Avista Energy, Inc. (*Avista Energy*), an indirect wholly-owned subsidiary. These activities do not represent a reportable business segment.

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

Avista Utilities

Avista Utilities provides electric distribution and transmission as well as natural gas distribution services in parts of eastern Washington and northern Idaho. It also provides natural gas distribution service in parts of northeast and southwest Oregon. At September 30, 2008, Avista Utilities supplied retail electric service to approximately 351,000 customers and retail natural gas service to approximately 310,000 customers across its entire service territory.

In addition to providing electric transmission and distribution services, Avista Utilities generates electricity from its generating facilities, which had a total net capability of approximately 1,771 MW at September 30, 2008. Avista Utilities owns and operates hydroelectric projects having a total net capability of approximately 979 MW, gas-fired generating facilities having a total net capability of 520 MW, an undivided interest in a coal-fired generating station with entitlement to 222 MW of net capability and a wood-waste fueled generating station having a net capability of 50 MW. In addition to its own resources, Avista Utilities is party to a number of long-term power purchase and exchange contracts that increase its available resources.

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Advantage IQ

Advantage IQ's invoice processing, auditing, payment services and comprehensive reporting services are designed to provide companies with critical and easy-to-access information that enables them to proactively manage and reduce their utility, telecom and waste management expenses.

Effective July 2, 2008, Advantage IQ acquired Cadence Network, an energy and expense management company.

Other

Avista's other businesses include, in addition to Avista Energy, several other indirect subsidiaries, including Avista Ventures, Inc., Pentzer Corporation, Avista Development, Inc. and Advanced Manufacturing and Development.

Over time as opportunities arise, Avista plans to dispose of assets and phase out operations that do not fit with its overall corporate strategy. However, Avista may invest incremental funds to protect its existing investments and invest in new businesses that fit with its overall corporate strategy.

Until June 30, 2007 Avista Energy comprised the majority of operations in our Energy Marketing Resource Management segment. Upon the sale of substantially all of Avista Energy and Avista Energy Canada's contracts and ongoing operations to a third party on June 30, 2007, the majority of this segment's operations were ended.

Proposed Formation of Holding Company

Avista has entered into a Plan of Share Exchange, dated as of February 13, 2006 (the "Plan of Exchange"), with AVA Formation Corp., a wholly-owned subsidiary of Avista ("AVA"). Pursuant to the Plan of Exchange, a statutory share exchange (the "Share Exchange") would be effected whereby each outstanding share of Avista Common Stock (including any shares offered by this prospectus) would be exchanged for one share of AVA common stock, no par value ("AVA Common Stock"), so that the holders of Avista Common Stock would become holders of AVA Common Stock and Avista would become a subsidiary of AVA. AVA is expected to change its name before the effective time of the Share Exchange.

The holders of Avista Common Stock approved the Share Exchange on May 11, 2006. The Federal Energy Regulatory Commission and the Idaho Public Utilities Commission have issued orders authorizing the Share Exchange. Avista also has filed for approval from the utility regulators in Washington, Oregon and Montana. The Share Exchange is subject to the receipt of the remaining regulatory approvals and the satisfaction of other conditions. If the statutory share exchange and the implementation of the holding company structure are approved by regulators on terms acceptable to Avista, it may be completed sometime in 2009.

The other outstanding securities of Avista would not be affected by the Share Exchange, with limited exceptions for options and similar securities outstanding under executive compensation and employee benefit plans.

Avista expects that, after the effective time of the Share Exchange when AVA becomes the sole holder of Avista Common Stock, Avista will distribute to AVA as a dividend all

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outstanding shares of Avista Capital. This dividend, which is referred to in this prospectus as the Avista Capital Dividend , would effect the structural separation of Avista s non-regulated businesses from the regulated utility business.

Reference is made to the Proxy Statement-Prospectus, dated April 11, 2006, excluding those portions thereof that are deemed furnished to, and not filed with, the SEC (the Proxy Statement-Prospectus), which is incorporated herein by reference, for additional information regarding the proposed formation of the holding company, including, without limitation, information regarding the reasons for forming the holding company and the Avista Capital Dividend, the conditions to the Share Exchange and the expected business, regulation and management of AVA and its subsidiaries after the effective time of the Share Exchange.

Prospective investors are directed to Description of Common Stock herein for additional information regarding the proposed holding company structure, including a general comparison of Avista Common Stock and AVA Common Stock.

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DEFINITIONS

When the following terms are used in the Plan, they will have the meanings indicated.

Term	Meaning
Broker	A securities broker-dealer, selected by the Plan Administrator, registered under the Exchange Act, acting independently in the purchase and sale of Common Stock under the Plan.
Certificate Shares	Certificates for shares of Common Stock held by you or your broker registered in your name.
Common Stock	Common Stock of Avista Corporation.
Composite Tape	The record of composite quotations reported by <i>The Wall Street Journal</i> .
Dividend Payment Date	The date fixed by our Board of Directors on which declared Common Stock dividends are payable. These dates are <u>normally</u> the 15th day of March, June, September and December.
EFT	Electronic Funds Transfer
Enrollment Form	Form to be used by Registered Shareholders of Common Stock and new investors to enroll, make an initial investment or change participation in the Plan. See Enrollment.
Ex-dividend Date	Normally, the second business day prior to the Record Date.
Initial Investment	A payment made to us by a person who is not a Registered Shareholder for the initial purchase of shares of Common Stock to open a Plan account. The minimum Initial Investment is \$250 and the maximum is \$10,000. An Initial Investment is not required from holders of shares registered in their names who are enrolling in the Plan for the purpose of reinvestment of dividends or from prior participants in the Plan.
Investment Date	The Dividend Payment Date in months when dividends are paid. In months when no dividends are paid, the 15th day of the month or, if no trading of our Common Stock occurs on such date, the next preceding date on which trading occurred.
Investment Period	The period commencing on the Investment Date and ending on the day before the following Investment Date during which dividends, Initial Investments and/or Optional Cash Payments are invested in Common Stock purchased on the open market.
Optional Cash Payments	Cash payments, \$10,000 maximum investment per transaction and up to \$100,000 per calendar year, made to purchase shares of Common Stock under the Plan.

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Plan	Avista Corporation Direct Stock Purchase and Dividend Reinvestment Plan.
Plan Administrator	The Bank of New York Mellon and its affiliate BNY Mellon Shareowner Services, when acting in its capacity as Plan Administrator.
Plan Shares	Shares held in the shareholder's plan account. These may include any shares purchased under the Plan and/or Certificate Shares previously held by the shareholder which are now being held by the Plan Administrator for Safekeeping in the shareholder's plan account.
Record Date	Closing date fixed by our Board of Directors to establish shareholders of record for payment of dividends, voting privileges and other matters. The Record Dates for the payment of dividends are approximately the 20th day of February, May, August and November.
Registered Shareholder	Holder of shares of Common Stock recorded as such on our stock registration books.
Safekeeping	Arrangement by which participants may deposit their Common Stock shares held in certificate form with the Plan Administrator. The certificates presented are cancelled and those shares are then credited to the participant's plan account and held in the name of the Plan Administrator.
SEC	Securities and Exchange Commission.

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QUESTION AND ANSWER SUMMARY OF THE PLAN

(This Question and Answer Summary of the Plan does not purport to be complete.

For further information, please refer to the other portions of the Plan set forth herein.)

- Q: 1. *How do I enroll in the Plan or change my method of participation in the Plan?*
- A: By use of the Enrollment Form submitted to shareholders with this Prospectus and, if you are not already a Registered Shareholder, submitting your Initial Investment. Alternatively, enrollment is available on-line by logging onto www.BNYMELLON.COM. See The Plan Enrollment.
- Q: 2. *What are the Optional Cash Payment limits?*
- A: The maximum investment per transaction is \$10,000 and the maximum investment per calendar year is \$100,000. No minimum amount is required.
- Q: 3. *How do I make Optional Cash Payments?*
- A: By submitting your check payable to BNY Mellon/Avista, with your Enrollment Form or with the bottom portion of your reinvestment statement of account. You may also authorize automatic debits from your bank account either individually or on a recurring monthly basis. See The Plan Optional Cash Payments.
- Q: 4. *When can Optional Cash Payments be made?*
- A: Optional Cash Payments may be submitted at any time. Optional Cash Payments received by the Plan Administrator from participants by 12:00 noon Eastern time on the day prior to an Investment Date will be invested on the Investment Date or during the Investment Period in which such Investment Date occurs. See The Plan Purchases Under the Plan - General.
- Q: 5. *When are the Investment Dates?*
- A: Normally the 15th of each month, or the next preceding date on which trading of our Common Stock occurred if the 15th is a Saturday, Sunday, holiday, or if no trading occurs on the 15th.
- Q: 6. *At what price are shares purchased for my account?*
- A: See The Plan Purchase Price Under the Plan.
- Q: 7. *How will Plan Shares be held for my account?*
- A: Plan Shares credited to your plan account will be held by the Plan Administrator until written notification is received from you regarding your desire to receive a certificate and/or cash for Plan Shares held in your plan account.
- Q: 8. *What options are available to me when terminating my account or when making withdrawals from my account?*
- A: Options for terminating your account:
- Closing your account and receiving a certificate for your whole Plan Shares and a check for any fractional Plan Share. See The Plan Termination of Account - Stock (Stock Termination).
 - Closing your account and receiving a check for your Plan Shares. See The Plan Termination of Account - Cash (Cash Termination).
 - Closing your account and receiving a certificate for a portion of your whole Plan Shares and a check for the balance of your whole and fractional Plan Shares. See The Plan Termination of Account - Stock and Cash (Combined Termination).
- Options available for making withdrawals while still remaining in the Plan:
- Receiving a certificate for a portion of your whole Plan Shares. See The Plan Certificates for Plan Shares of Common Stock - Share Withdrawal.

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- b. Receiving a check for a portion of your whole Plan Shares. You must specify the **number of Plan Shares**, not dollars, when using this option. See *The Plan Cash for Plan Shares of Common Stock - Cash Withdrawal*.

To avail yourself of any of the options described above, complete the appropriate space on your reinvestment statement of account, submit your request on-line at WWW.BNYMELLON.COM/SHAREOWNER/ISD or make a separate written request, and deliver it to the Plan Administrator.

- Q: 9. *If I elect to sell my Plan Shares, what amount will I receive?*
- A: The amount cannot be determined until the Plan Shares are sold. Your Plan Shares will be sold by the Plan Administrator through the Broker as promptly as practicable, and you will receive the proceeds of the sale less a fee of \$.04 per share (which will include a brokerage commission), which is subject to change, and any applicable taxes and fees.
- Q: 10. *Do I have to pay tax on the dividends that are reinvested?*
- A: Dividends reinvested under the Plan are subject to income tax for U.S. federal income tax purposes even though you have not received them in cash. In the case of shareholders who are subject to U.S. federal income tax withholding or back-up withholding on distributions, the amount of tax required to be withheld will be deducted from the amount of the dividend and only the remaining amount will be invested in Plan Shares. See *U.S. Federal Income Tax Information*.
- Q: 11. *Can I receive a cash dividend on a portion of my shares and reinvest the dividend on the remainder of my shares?*
- A: Yes, you may choose this option on your Enrollment Form. If you choose this option, you can direct that dividends on a specified number of your shares be paid to you in cash. The remainder of dividends on your shares will be reinvested. See *The Plan Dividend Reinvestment Options*.
- Q: 12. *Can I get only cash dividends on my shares?*
- A: Yes, you may choose to receive cash dividends on all of your shares. See *The Plan Dividend Reinvestment Options*.
- Q: 13. *Can I forward the Certificate Shares I hold to the Plan Administrator for Safekeeping?*
- A: Yes, you may elect to have the Plan Administrator hold shares represented by any stock certificates now held by you. The stock certificates in your name would be cancelled, and the shares represented by such certificates would be credited to your plan account and held by the Plan Administrator. Please note that it is the responsibility of the participant to retain his/her records relative to the cost of any Certificate Shares deposited for Safekeeping. See *The Plan Safekeeping* for additional information, or contact the Plan Administrator for specific instructions.
- Q: 14. *Can beneficial owners of our Common Stock, whose shares are registered in names other than their own, participate in the Plan?*
- A: Yes, beneficial owners may participate directly by having some or all of their shares transferred into their names. Or, they may participate indirectly by requesting their record holders (such as their broker or bank nominee) to participate on their behalf. Such indirect participation must be through the registered holder of the shares.
- Q: 15. *What happens when a participant sells or transfers all of the Certificate Shares registered in his/her name?*

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A: If a participant sells all Certificate Shares of stock registered in his/her name, the Plan Administrator will, unless otherwise instructed by the participant, continue to reinvest the dividends or pay cash dividends on the Plan Shares credited to his/her account, in accordance with the participant's election, under the Plan as long as there is a balance.

If a participant transfers all Certificate Shares of stock registered in his/her name into a new shareholder registration, the Plan Administrator will not automatically transfer the reinvestment share balance to the new account. The participant must contact the Plan Administrator to request the transfer of Plan Shares.

Q: 16. *Can I transfer my shares to someone else?*

A: Yes, Plan Shares may be transferred to names other than the account name. Appropriate documentation with guaranteed signature(s) would be required. See The Plan Transfer of Shares.

Q: 17. *What information will I receive that I need to retain to allow me to determine the cost basis of shares acquired through the Plan?*

A: It is important that you retain each year's December reinvestment statement of account as well as the last reinvestment statement you receive from us when your plan account is terminated.

It is also critical that you retain all information relative to the cost of Common Stock Certificate Shares previously held by you, which have been credited to your plan account for Safekeeping by the Plan Administrator.

THE PLAN

Purpose

The purpose of the Plan is to provide investors with a convenient and affordable method of purchasing shares of Common Stock directly through the Plan Administrator and to provide Registered Shareholders of Common Stock with a simple and convenient method of investing cash dividends and/or Optional Cash Payments in additional shares of Common Stock at regular intervals, and with a method of selling those shares of Common Stock held by the Plan Administrator for the participants. Purchases will be made either using original issue stock or on the open market, at our election. Open market purchases will be made by the Broker. The price of shares if purchased on the open market will include a fee of \$.04 per share (which will include a brokerage commission), which is subject to change, and any applicable taxes and fees. No commission will be paid on any original issue shares, which might be purchased directly from us under the Plan. Should it be necessary to utilize both open market and original issue shares for any particular Investment Period, the fee of \$.04 per share applicable to the open market shares (which will include a brokerage commission) will be included in the average price per share of all shares purchased.

Advantages

If you participate in the Plan you may (a) purchase and sell shares of Common Stock directly through the Plan Administrator or (b) have cash dividends on all or a portion of your shares of Common Stock automatically reinvested or (c) have your cash dividends reinvested and, in addition, you may also make up to \$100,000 per calendar year with a maximum investment of \$10,000 per transaction in Optional Cash Payments or (d) make only Optional Cash Payments up to \$100,000 per calendar year and continue to receive cash dividends on your shares.

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Full investment of funds is possible under the Plan because the Plan permits fractions of shares, as well as whole shares, to be credited to your plan account. In addition, dividends in respect to such fractions, as well as whole shares, will be credited to your plan account. You can avoid the cumbersome safekeeping of certificates for Plan Shares credited to your plan account and may also elect to deposit Certificate Shares of Common Stock now held in your name into your plan account for Safekeeping. The deposit of such shares protects you against loss, theft, or destruction of stock certificates. Certificates so deposited will be held in the name of the Plan Administrator. Statements of account will be provided to participants in the Plan following each investment.

Administration

The Bank of New York Mellon along with its affiliate, BNY Mellon Shareowner Services (collectively, the Plan Administrator) will administer the Plan, keep records, send statements of account and perform for the participants other duties relating to the Plan. Common Stock purchased under the Plan, as well as Certificate Shares placed with the Plan Administrator for Safekeeping, will be registered in the name of the Plan Administrator as Plan Administrator for the participants in the Plan.

Costs

Fees of \$.04 per share (which will include brokerage commissions) and any applicable taxes and fees are paid by participants in connection with purchases and sales of Plan Shares made on the open market under the Plan. All other costs of administration of the Plan are to be paid by us.

Enrollment

You may enroll in the Plan by completing and signing an Enrollment Form and returning it in the envelope provided. Alternatively, you may enroll on-line at WWW.BNYMELLON.COM/SHAREOWNER/ISD. An Enrollment Form may be obtained at any time upon request by telephoning the Plan Administrator at 1-800-642-7365. The Enrollment Form serves both to initiate participation and to appoint the Plan Administrator to act on your behalf in buying and selling shares of Common Stock under the Plan.

You may change the method of participation in the Plan by completing a new Enrollment Form to indicate the manner of future participation and sending it to the Plan Administrator, or by visiting the Plan Administrator's Internet Website at WWW.BNYMELLON.COM/SHAREOWNER/ISD.

A Registered Shareholder of Common Stock or any eligible applicant may enroll in the Plan at any time. With respect to Initial Investments and Optional Cash Payments, if the Initial Purchase Authorization Form and Initial Investment or Optional Cash Payment, as the case may be, are received at least one day prior to an Investment Date, participation in the Plan will begin with that Investment Date. With respect to reinvestment of dividends, if the Enrollment Form is received by the Plan Administrator on or before a Record Date, participation in the Plan will begin with the next following Dividend Payment Date.

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Participation

Direct Purchase

You are eligible to participate in the Plan for direct purchase of our Common Stock provided that (a) you meet the requirements for participation as described in the following paragraph and (b) in the case of citizens or residents of a country other than the United States, its territories or possessions, participation would not violate local laws applicable to us or to you.

In certain jurisdictions, applicable laws require us to use a registered broker-dealer to offer Common Stock under the Plan to persons who are not currently Registered Shareholders. No offers or sales to these persons will be affected in those jurisdictions unless we have satisfied the requirements of the state securities laws applicable to the operation of the Plan. The Plan Administrator has selected BNY Mellon Securities as the registered broker-dealer through whom we will offer shares in those instances and for all Plan trading activity.

Dividend Reinvestment

You can choose to reinvest under the Plan all or a portion of the cash dividends paid on the shares of Common Stock directly registered in your name. Beneficial owners of our Common Stock whose shares are registered in names other than their own may participate directly by having some or all of their shares transferred into their names, or they may participate indirectly by requesting their record holders (such as a broker or bank nominee) to participate on their behalf. Such indirect participation must be through the registered holder of the shares. You will begin to participate in the Plan as of the Dividend Payment Date associated with the first Record Date which occurs after the date the Plan Administrator receives your enrollment authorization.

Following your instructions, the Plan Administrator will apply all or part of the cash dividend to the purchase of additional shares of Common Stock. Dividends are paid in U.S. dollars and dividends are payable to the Plan Administrator on the Dividend Payment Date, like all other Registered Shareholders. Dividends used to purchase shares on the open market are invested as promptly as practicable commencing on the Dividend Payment Date. Dividends used to purchase shares directly from us are invested on the Dividend Payment Date. When shares are being purchased in the open market, depending on the number of shares being purchased and current trading volume in the shares, purchases may be executed in multiple transactions and may be made on more than one date during the applicable Investment Period. All available cash dividends for your account, less any applicable tax withholding, will be invested and fractional shares will be calculated to four decimal places.

Dividend Reinvestment Options

Following your instructions, the Plan Administrator will apply all or part of your cash dividends to the purchase of additional shares of Common Stock.

You may choose one of the following options to invest your cash dividends:

Full Reinvestment If you choose this option, 100% of all cash dividends paid on shares held by you in the Plan (certificated and book-entry form) will be reinvested in additional shares of Common Stock. This includes future shares acquired by you directly or through the Plan.

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Partial Dividend Reinvestment If you choose this option, you can direct that dividends on a specified number of your shares be paid to you in cash. Dividends on the remaining shares will be reinvested. If you buy more shares, it will not change your election. If you sell or transfer shares, it will not change your election unless the number of your shares falls below the number you specified to be paid in cash. In that case, cash dividends will be paid to you on all of your shares. You may change your instructions for this option at any time by completing a new Enrollment Form.

Cash Dividends - No Reinvestment By choosing this election, you receive all dividends in cash and no dividends will be reinvested.

Direct Deposit

If you elect to have all or a portion of your dividends paid in cash, the amount will be paid by check or can be credited directly to your bank account via EFT. In order to take advantage of this option, your bank or financial institution must be a member of the Automated Clearing House. If you are interested in this option, please call The Bank of New York Mellon at 1-800-642-7365 and request an ACH Fulfillment Kit. If you enroll in the direct deposit and later transfer your shares to a new shareholder account, or change your bank account, you will need to request and complete another ACH Fulfillment Kit.

Investment Date and Investment Period

The Investment Date will normally be the 15th of every month or, if no trading of our Common Stock occurs on such date, the next preceding date on which trading occurred.

The Investment Period for investing dividends, Initial Investments and/or Optional Cash Payments in shares of our Common Stock to be purchased on the open market will be the period commencing on the Investment Date and ending on the day before the following Investment Date.

Initial Investments

Investors who are not Registered Shareholders and who wish to purchase Common Stock through the Plan may enroll online by visiting the Plan Administrator's website at www.BNYMELLON.COM, or they must complete an Enrollment Form and make an Initial Investment. The Initial Investment must be \$250 or more but cannot exceed the maximum \$10,000 limit per investment transaction. Initial Investments must be made by a check drawn on a U.S. bank, in U.S. currency, payable to BNY Mellon/Avista. Third-party checks, money orders, travelers checks and checks not drawn on a U.S. bank or not paid in U.S. currency will not be accepted and will be returned to the sender. Returned checks are subject to a service fee. Investors should use the pre-addressed envelope provided to send the signed Enrollment Form and any Initial Investment.

Optional Cash Payments

In addition to the investment of quarterly dividends, a participant in the Plan may also make up to \$100,000 per calendar year in Optional Cash Payments with a maximum investment of \$10,000 per transaction. Shares will be purchased monthly during the Investment Period. The same amount of money need not be sent each time an Optional Cash Payment is made. There is no obligation to make Optional Cash Payments.

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An Optional Cash Payment may be made by a participant when joining the Plan by enclosing the payment with the Enrollment Form. Thereafter, Optional Cash Payments should be accompanied by the form attached to the statement of account provided to the participant. Optional Cash Payments should be made by check payable to BNY Mellon/Avista. Optional Cash Payments can also be made by authorizing individual automatic deductions from your bank account by visiting the Plan Administrator's website at WWW.BNYMELLON.COM/SHAREOWNER/ISD. See Initial Investments above.

Optional Cash Payments received by the Plan Administrator from participants by 12:00 noon Eastern time on the day prior to an Investment Date will be invested in Common Stock during the Investment Period in which such Investment Date occurs. Optional Cash Payments received after the time specified above will be held and invested in Common Stock during the following Investment Period. No interest will be paid on Optional Cash Payments held by the Plan Administrator.

Any Optional Cash Payment will be refunded if a written request for such refund is received by the Plan Administrator more than forty-eight (48) hours prior to an Investment Date.

Optional Cash Payments will not be accepted by the Plan Administrator if a participant imposes any restrictions with respect to the number of shares to be purchased, the price at which shares are to be purchased, the timing of the purchase, or what the participant's balance will be following a purchase. In addition, the Plan Administrator cannot purchase shares for a participant without advance payment, nor can it refund any part of a participant's cash payment after shares are purchased. It is not possible for the Plan Administrator to tell a participant in advance how much money to send for the purchase of a full or fractional share because the price per share will not be known at the time an Optional Cash Payment is made.

Automated Monthly Investments

Participants enrolled in the Plan may authorize automatic monthly Optional Cash Payments via EFT. This option may be chosen when enrolling in the Plan by completing the appropriate information on the Enrollment Form or by visiting the Plan Administrator's website at WWW.BNYMELLON.COM/SHAREOWNER/ISD.

Automated monthly investments are subject to the minimum and maximum amounts set for the Plan. EFT payments are deducted monthly from a participant's bank account through any financial institution that participates in the Automated Clearing House. Deductions are made on the 25th day of each month, or if such date is not a business day, then on the following business day. Automated monthly Optional Cash Payments will be invested beginning with the next scheduled Investment Date after the Plan Administrator receives the funds. The participant is responsible for any bank fees related to the arrangements made for EFT payments. It is your responsibility to immediately notify the Plan Administrator of any changes in EFT information as it relates to your authorized monthly deductions. You may call 1-800-642-7365 and request a new EFT Enrollment Form or change your information at the Plan Administrator's website by visiting WWW.BNYMELLON.COM/SHAREOWNER/ISD.

In the event that your Optional Cash Payment/Initial Investment check is returned unpaid for any reason, or your designated bank account for EFT does not have sufficient funds for your

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authorized monthly deduction, the Plan Administrator will immediately remove from your account shares, if any, which were purchased in anticipation of the collection of such funds. These shares will be sold to recover any uncollected funds. If the net proceeds of the sale of such shares are insufficient to recover in full the uncollected amounts, the Plan Administrator reserves the right to sell such additional shares from any of your accounts maintained by the Plan Administrator as may be necessary to recover in full the uncollected balance.

The Plan Administrator will charge a service fee of \$25 for returned checks or failed EFT payments. The Plan Administrator reserves the right to sell additional shares from any of your accounts maintained by the Plan Administrator as may be necessary to recover the service fee at the time the check or EFT is returned to the Plan Administrator.

Purchases Under the Plan - General

On each Dividend Payment Date, we will pay to the Plan Administrator any cash dividends on the Certificate Shares of Common Stock registered in your name as well as on Plan Shares of Common Stock credited to your plan account. The Plan Administrator will promptly apply such dividends and any Optional Cash Payments received from you by 12:00 noon Eastern time on the day prior to such Dividend Payment Date to the purchase of additional shares of Common Stock for your plan account, by one or both of the methods described below. On each Investment Date which is not also a Dividend Payment Date, the Plan Administrator will commence investing on such Investment Date any Initial Investment or Optional Cash Payments received from you to the purchase of additional shares of Common Stock for your plan account, by one or both of the methods described below. See Source of Shares.

Purchases will be made either directly from us or on the open market, at our election. Open market purchases will be made by the Broker. The price of shares purchased on the open market will include a fee of \$.04 per share (which will include a brokerage commission) and any applicable securities taxes.

Your plan account will be credited with the number of shares, including fractional shares (computed to four decimal places), as of an Investment Date, equal to the total amount invested for your plan account divided by the purchase price (including fees of \$.04 per share (which will include brokerage commissions) and securities taxes, if applicable).

Dividends, as and when declared by our Board of Directors, will be paid on shares purchased on the open market or purchased directly from us on subsequent Dividend Payment Dates.

Source of Shares

Open Market Purchases

Shares purchased under the Plan on the open market will be purchased by the Broker. Subject to certain limitations, the Broker has full discretion as to all matters relating to open market purchases, including determination of the number of shares, if any, to be purchased on any day or at any time of day, the price paid for such shares, the markets on which such shares are purchased (including on any securities exchange, on the over-the-counter market or in negotiated transactions) and the persons (including other brokers and dealers) from or through whom such purchases are made.

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Purchases Directly from Avista Corporation

Shares purchased directly from us will be original issue stock.

Purchase Price of Shares

Price of Common Stock Purchased on the Open Market

The price of the Common Stock purchased on the open market with reinvested dividends, Initial Investments and/or with Optional Cash Payments will be the weighted average price of such shares, including fees of \$.04 per share (which will include brokerage commissions) and any applicable securities taxes, incurred in connection with the purchase of such shares during an Investment Period. The price per share will be determined by dividing the total cost (including fees of \$.04 per share (which will include brokerage commissions) and any applicable securities taxes) of all shares purchased with Initial Investments, Optional Cash Payments and/or reinvested dividends during an Investment Period by the total number of shares purchased during such Investment Period.

Price of Common