THIS FILING IS (CHECK ONE BOX FOR EACH ITEM)		
Item 1: ☒ An Initial (Original) Submission	OR ☐	Resubmission No. ____
Item 2: ☐ An Original Signed Form	OR ☐	Conformed Copy

Form Approved
OMB No. 1902-0021
(Expires 3/31/2005)

FERC Form No. 2
ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES

This report is mandatory under the Natural Gas Act, Sections 10(a), and 16 and 18 CFR 260.1. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year of Report
Avista Corp.	Dec. 31, 2003

FERC FORM NO. 2:
ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES

IDENTIFICATION	
01 Exact Legal Name of Respondent Avista Corp.	02 Year of Report Dec. 31, 2003
03 Previous Name and Date of Change *(if name changed during year)* Avista Corp. / /	
04 Address of Principal Office at End of Year *(Street, City, State, Zip Code)* 1411 E. Mission Ave, Spokane, WA 99202	
05 Name of Contact Person M. K. Malquist	06 Title of Contact Person Senior VP & CFO
07 Address of Contact Person *(Street, City, State, Zip Code)* 1411 E. Mission Ave, Spokane, WA 99202	

08 Telephone of Contact Person, *Including Area Code*	09 This Report Is	10 Date of Report *(Mo, Da, Yr)*
(509) 495-4943	(1) ☒ An Original (2) ☐ A Resubmission	04/30/2004

ATTESTATION

The undersigned officer certifies that he/she has examined the accompanying report: that to the best of his/her knowledge, information, and belief, all statements of fact contained in the accompanying report are true and the accompanying report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from and including January 1 to and including December 31 of the year of the report.

01 Name	03 Signature	04 Date Signed *(Mo, Da, Yr)*
M. K. Malquist	M K Malquist	04/30/2004
02 Title Senior Vice President and CFO		

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

M. K. Malquist, Senior Vice President, Chief Financial Officer and Treasurer
1411 E. Mission Avenue
Spokane, WA 99202

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

State of Washington, Incorporated March 15, 1889

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not Applicable

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Electric service in the states of Washington, Idaho and Montana

Natural gas service in the states of Washington, Idaho, Oregon, and California

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes...Enter the date when such independent accountant was initially engaged:
(2) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

Definitions
1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
1	Avista Capital	Parent company to all of the	100	
2		Company's subsidiaries.		
3				
4	Avista Advantage, Inc.	Provides various energy	100	
5		services, such as Internet-		
6		based specialty billing and		
7		information services.		
8				
9	Avista Communications, Inc.	An Integrated Communications	100	Currently inactive
10		Provider (ICP) that provided		
11		local telecommunications		
12		solutions and designed, built		
13		and managed metropolitan		
14		area fiber optic networks.		
15				
16	Avista Development, Inc.	Nonoperating company which	100	
17		maintains a small investment		
18		portfolio of real estate and		
19		other investments.		
20				
21	Avista Energy, Inc.	Wholesale electricity and	99.8	
22		natural gas trading,marketing		
23		and resource management.		
24				
25	Avista Laboratories, Inc.	Develops proton exchange	100	
26		membrane (PEM) fuel cell		
27		technology and fuel cell		

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Line No.	Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
1		components.		
2				
3				
4	Avista Power, LLC	Owns generation assets.	100	
5				
6	Avista Services, Inc.	Offers products/services to	100	Currently Inactive
7		utility customers.		
8				
9	Avista Turbine Power, Inc.	Receives assignments of	100	
10		purchase power agreements.		
11				
12	Avista Rathdrum, LLC	Owns electric	100	
13		generation assets.		
14				
15	Avista Ventures, Inc.	Invests in emerging business	100	
16		opportunities.		
17				
18	Pentzer Corporation	Within Avista Capital;	100	
19		parent company of Advanced		
20		Manufacturing and		
21		Development.		
22				
23	Advanced Manufacturing and Development, Inc.	Performs custom sheet metal	93	
24		manufacturing of electronic		
25		enclosures, parts and systems		
26		for the computer, telecom and		
27		medical industries. AM&D		

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Line No.	Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
1		also has a wood products		
2		division that provides		
3		complete fabrication and		
4		turnkey assembly for arcade		
5		games, kiosks, store fixtures		
6		and displays.		
7				
8	Avista Receivables Corporation	Acquires and sells accounts	100	
9		receivable of Avista Corp.		
10				
11	Avista Energy Canada, Ltd.	A wholly owned subsidiary of	100	
12		Avista Energy, Inc. that		
13		provides natural gas service		
14		to approximately 400		
15		individual customers in		
16		British Columbia, Canada		
17	INDIRECT CONTROL:			
18	Rathdrum Power, LLC	Developed and owns an	49	
19		electric generation asset.		
20				
21	Coyote Springs 2, LLC	Developed and owns an	50	
22		electric generation asset.		
23				
24	WP Funding LP	Owns an electric generation	3	Avista Corp.
25		asset.		consolidates under
26				FIN 46 in 2003.
27	Spokane Energy, LLC	Marketing of energy.	100	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

Security Holders and Voting Powers

1. Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes that each could cast on that date if a meeting were held. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the company did not close the stock book or did not compile a list of stockholders within one year prior to the end of the year, or if since it compiled the previous list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement how such security became vested with voting rights and give other important details concerning the voting rights of such security. State whether voting rights are actual or contingent; if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish details concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants or rights. Specify the amount of such securities or assets any officer, director, associated company, or any of the 10 largest security holders is entitled to purchase. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants, or rights were issued prorata basis.

1. Give date of the latest closing of the stock book prior to end of year, and in a footnote, state the purpose of such closing:	2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy.		3. Give the date and place of such meeting:
November 21, 2003 to pay the December 15, 2003 dividend.	Total: By Proxy:	42,897,446 42,891,330	May 8, 2003 Spokane, Washington

Line No.	Name (Title) and Address of Security Holder (a)	VOTING SECURITIES 4. Number of votes as of (date): 11/21/2003 Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
5	TOTAL votes of all voting securities	48,181,927	48,181,927		
6	TOTAL number of security holders	18,043	18,043		
7	TOTAL votes of security holders listed below	319,197	319,197		
8					
9	DBH Properties LP - Coeur d'Alene, ID	77,646	77,646		
10	Harold J. White TR U/A - Spokane, WA	53,787	53,787		
11	Margaret Ann Brosnan TR U/A - Independence, OH	38,000	38,000		
12	Alfred C. Glassell, Jr. - Houston, TX	30,028	30,028		
13	Gladys L. Rikerd - Spokane, WA	26,671	26,671		
14	Kay Kobayashi - Los Angeles, CA	22,092	22,092		
15	Ernest C. Gosnay Jr. & Marie K. Gosney TRS U/A	20,011	20,011		
16	- Spokane, WA				
17	Robert Eugene Young - Washougal, WA	20,000	20,000		
18	Edmund M. Reeck, TR U/A - Salem, OR	15,962	15,962		
19	Henry P. Savage & Mildred Savage JT TEN - Kellogg, ID	15,000	15,000		

Name of Respondent	This Report Is:	Date of Report	Year of Report
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IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION.

1. None
2. None
3. None
4. None
5. None
6. In September 2003, the Company issued $45.0 million of 6.125 percent First Mortgage Bonds due in 2013. This debt was issued under a registration statement filed on Form S-3 with the Securities and Exchange Commission for up to $150.0 million of secured or unsecured debt securities. The $150.0 million registration statement was approved by the WUTC under docket UE-031031, the IPUC under case #AVU-E-03-03 and the OPUC under docket UF-4198. Reference is made to Notes 3, 12, 14, and 17 of Notes to Financial Statements, Page 122 of this Report.
7. None
8. Average annual wage increases were 2.9% in 2003 for non-exempt personnel. Annual average wage increases were 3.1% for exempt employees. Bargaining unit employees were granted increases of 3.0%.
9. Reference is made to Note 23 of Notes to Financial Statements, Page 122 of this Report.
10. None.
11. N/A
12. See Page 122 of this Report.

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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	2,370,810,931	2,544,618,721
3	Construction Work in Progress (107)	200-201	17,581,119	49,615,389
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		2,388,392,050	2,594,234,110
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 111, 115)	200-201	824,688,269	886,846,714
6	Net Utility Plant (Enter Total of line 4 less 5)		1,563,703,781	1,707,387,396
7	Nuclear Fuel (120.1-120.4, 120.6)	202-203	0	0
8	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
9	Net Nuclear Fuel (Enter Total of line 7 less 8)		0	0
10	Net Utility Plant (Enter Total of lines 6 and 9)		1,563,703,781	1,707,387,396
11	Utility Plant Adjustments (116)	122	0	0
12	Gas Stored Underground - Noncurrent (117)		0	0
13	**OTHER PROPERTY AND INVESTMENTS**			
14	Nonutility Property (121)		3,156,010	3,264,833
15	(Less) Accum. Prov. for Depr. and Amort. (122)		107,826	118,011
16	Investments in Associated Companies (123)		0	0
17	Investment in Subsidiary Companies (123.1)	224-225	256,737,740	255,904,488
18	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
19	Noncurrent Portion of Allowances	228-229	0	0
20	Other Investments (124)		46,498,833	55,738,128
21	Special Funds (125-128)		11,182,354	16,429,928
22	TOTAL Other Property and Investments (Total of lines 14-17,19-21)		317,467,111	331,219,366
23	**CURRENT AND ACCRUED ASSETS**			
24	Cash (131)		10,048,633	-2,136,438
25	Special Deposits (132-134)		2,465,146	0
26	Working Fund (135)		384,217	577,122
27	Temporary Cash Investments (136)		24,126,777	21,143,327
28	Notes Receivable (141)		0	0
29	Customer Accounts Receivable (142)		28,898,856	45,726,942
30	Other Accounts Receivable (143)		4,238,495	4,175,943
31	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		2,688,665	2,281,537
32	Notes Receivable from Associated Companies (145)		137,275,825	40,018,082
33	Accounts Receivable from Assoc. Companies (146)		1,791,870	10,855
34	Fuel Stock (151)	227	3,261,065	2,395,349
35	Fuel Stock Expenses Undistributed (152)	227	0	0
36	Residuals (Elec) and Extracted Products (153)	227	0	0
37	Plant Materials and Operating Supplies (154)	227	8,449,512	9,522,082
38	Merchandise (155)	227	0	0
39	Other Materials and Supplies (156)	227	0	0
40	Nuclear Materials Held for Sale (157)	202-203/227	0	0
41	Allowances (158.1 and 158.2)	228-229	0	0
42	(Less) Noncurrent Portion of Allowances		0	0
43	Stores Expense Undistributed (163)	227	494,542	-496,415
44	Gas Stored Underground - Current (164.1)		7,563,672	8,176,453
45	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		563,856	640,745
46	Prepayments (165)		2,916,606	1,068,826
47	Advances for Gas (166-167)		0	0
48	Interest and Dividends Receivable (171)		27,487	961
49	Rents Receivable (172)		676,514	459,233
50	Accrued Utility Revenues (173)		0	0
51	Miscellaneous Current and Accrued Assets (174)		322,206	610,557
52	Derivative Instrument Assets (175)		0	0

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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
53	Derivative Instrument Assets - Hedges (176)		60,322,238	39,499,770
54	TOTAL Current and Accrued Assets (Enter Total of lines 24 thru 53)		291,138,852	169,111,857
55	**DEFERRED DEBITS**			
56	Unamortized Debt Expenses (181)		21,921,640	20,113,211
57	Extraordinary Property Losses (182.1)	230	0	0
58	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
59	Other Regulatory Assets (182.3)	232	248,746,931	239,863,731
60	Prelim. Survey and Investigation Charges (Electric) (183)		12,130,418	12,156,159
61	Prelim. Sur. and Invest. Charges (Gas) (183.1, 183.2)		0	0
62	Clearing Accounts (184)		1,416,423	1,510,244
63	Temporary Facilities (185)		0	0
64	Miscellaneous Deferred Debits (186)	233	81,406,921	86,083,253
65	Def. Losses from Disposition of Utility Plt. (187)		0	0
66	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
67	Unamortized Loss on Reaquired Debt (189)		29,206,730	28,712,173
68	Accumulated Deferred Income Taxes (190)	234	37,595,304	34,222,386
69	Unrecovered Purchased Gas Costs (191)		11,514,486	15,352,084
70	TOTAL Deferred Debits (Enter Total of lines 56 thru 69)		443,938,853	438,013,241
71	TOTAL Assets and Other Debits (Enter Total of lines 10,11,12,22,54,70)		2,616,248,597	2,645,731,860

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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	**PROPRIETARY CAPITAL**			
2	Common Stock Issued (201)	250-251	623,091,721	626,787,347
3	Preferred Stock Issued (204)	250-251	33,250,000	0
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	0	0
7	Other Paid-In Capital (208-211)	253	0	0
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254	11,927,830	10,949,795
11	Retained Earnings (215, 215.1, 216)	118-119	60,386,146	81,854,919
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	65,750,804	64,022,832
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Accumulated Other Comprehensive Income (219)	122(a)(b)	-18,809,177	-9,355,089
15	TOTAL Proprietary Capital (Enter Total of lines 2 thru 14)		751,741,664	752,360,214
16	**LONG-TERM DEBT**			
17	Bonds (221)	256-257	401,300,000	431,300,000
18	(Less) Reaquired Bonds (222)	256-257	0	0
19	Advances from Associated Companies (223)	256-257	1,051,442	1,434,151
20	Other Long-Term Debt (224)	256-257	703,778,874	689,935,336
21	Unamortized Premium on Long-Term Debt (225)		0	0
22	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		2,160,866	1,994,486
23	TOTAL Long-Term Debt (Enter Total of lines 17 thru 22)		1,103,969,450	1,120,675,001
24	**OTHER NONCURRENT LIABILITIES**			
25	Obligations Under Capital Leases - Noncurrent (227)		621,526	3,440,569
26	Accumulated Provision for Property Insurance (228.1)		0	0
27	Accumulated Provision for Injuries and Damages (228.2)		1,446,348	1,299,994
28	Accumulated Provision for Pensions and Benefits (228.3)		50,209,349	35,897,551
29	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
30	Accumulated Provision for Rate Refunds (229)		0	0
31	Asset Retirement Obligations (230)		0	659,307
32	TOTAL OTHER Noncurrent Liabilities (Enter Total of lines 25 thru 31)		52,277,223	41,297,421
33	**CURRENT AND ACCRUED LIABILITIES**			
34	Notes Payable (231)		0	0
35	Accounts Payable (232)		36,247,518	48,421,782
36	Notes Payable to Associated Companies (233)		0	0
37	Accounts Payable to Associated Companies (234)		18,524,753	19,845,113
38	Customer Deposits (235)		4,533,815	4,452,327
39	Taxes Accrued (236)	262-263	22,522,183	9,241,055
40	Interest Accrued (237)		20,307,075	18,484,237
41	Dividends Declared (238)		0	-9
42	Matured Long-Term Debt (239)		0	0
43	Matured Interest (240)		0	0
44	Tax Collections Payable (241)		-754	-23,665
45	Miscellaneous Current and Accrued Liabilities (242)		20,279,696	28,275,414

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
46	Obligations Under Capital Leases-Current (243)		0	0
47	Derivative Instrument Liabilities (244)		0	0
48	Derivative Instrument Liabilities - Hedges (245)		50,057,633	36,057,271
49	TOTAL Current & Accrued Liabilities (Enter Total of lines 34 thru 48)		172,471,919	164,753,525
50	**DEFERRED CREDITS**			
51	Customer Advances for Construction (252)		913,115	978,187
52	Accumulated Deferred Investment Tax Credits (255)	266-267	669,576	620,268
53	Deferred Gains from Disposition of Utility Plant (256)		0	0
54	Other Deferred Credits (253)	269	29,705,406	34,008,549
55	Other Regulatory Liabilities (254)	278	20,174,502	13,027,706
56	Unamortized Gain on Reaquired Debt (257)		4,118,795	4,696,571
57	Accumulated Deferred Income Taxes (281-283)	272-277	480,206,947	513,314,418
58	TOTAL Deferred Credits (Enter Total of lines 51 thru 57)		535,788,341	566,645,699
59			0	0
60			0	0
61			0	0
62			0	0
63			0	0
64			0	0
65			0	0
66			0	0
67			0	0
68			0	0
69			0	0
70			0	0
71			0	0
72	TOTAL Liab and Other Credits (Enter Total of lines 15,23,32,49,58)		2,616,248,597	2,645,731,860

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another Utility column (i, k, m, o) in a similar manner to a utility department. Spread the amount(s) over Lines 02 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.
2. Report amounts in account 414, Other Utility Operating income, in the same manner as accounts 412 and 413 above.
3. Report data for lines 8, 10, and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.
4. Use pages 122-123 for important notes regarding the statement of income or any account thereof.
5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.
6. Give concise explanations concerning significant amounts of any refunds made or received during the year

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	929,400,226	893,963,515
3	Operating Expenses			
4	Operation Expenses (401)	320-323	628,688,576	606,132,796
5	Maintenance Expenses (402)	320-323	30,395,326	23,968,182
6	Depreciation Expense (403)	336-337	65,752,096	60,293,549
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337		
8	Amort. & Depl. of Utility Plant (404-405)	336-337	8,151,368	8,430,074
9	Amort. of Utility Plant Acq. Adj. (406)	336-337	99,048	99,048
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)		-3,693	-3,582
11	Amort. of Conversion Expenses (407)			
12	Regulatory Debits (407.3)		218,244	253,985
13	(Less) Regulatory Credits (407.4)		10,449,403	17,987,205
14	Taxes Other Than Income Taxes (408.1)	262-263	60,791,111	63,597,147
15	Income Taxes - Federal (409.1)	262-263	22,613,266	34,872,176
16	- Other (409.1)	262-263	1,282,899	2,348,133
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	5,291,061	-7,069,837
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	4,678,097	5,080,399
19	Investment Tax Credit Adj. - Net (411.4)	266	-49,308	-49,308
20	(Less) Gains from Disp. of Utility Plant (411.6)			
21	Losses from Disp. of Utility Plant (411.7)			
22	(Less) Gains from Disposition of Allowances (411.8)			
23	Losses from Disposition of Allowances (411.9)			
24	Accretion Expense (411.10)			
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		808,102,494	769,804,759
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		121,297,732	124,158,756

Name of Respondent Avista Corp.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 04/30/2004	Year of Report Dec. 31, 2003

STATEMENT OF INCOME FOR THE YEAR (Continued)

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.

7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be included on pages 122-123.

8. Enter on page 123 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.

9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 26, and report the information in the blank space on page 123 or in a footnote.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
						1
652,111,450	584,141,003	277,288,776	309,822,512			2
						3
406,888,146	353,588,329	221,800,430	252,544,467			4
25,258,364	19,988,552	5,136,962	3,979,630			5
50,578,273	46,180,880	15,173,823	14,112,669			6
						7
6,790,075	7,497,026	1,361,293	933,048			8
99,048	99,048					9
-3,693	-3,582					10
						11
		218,244	253,985			12
10,449,403	17,987,205					13
43,903,386	43,185,433	16,887,725	20,411,714			14
25,776,211	25,158,719	-3,162,945	9,713,457			15
972,732	1,430,132	310,167	918,001			16
1,172,553	2,201,171	4,118,508	-9,271,008			17
4,554,927	4,997,556	123,170	82,843			18
		-49,308	-49,308			19
						20
						21
						22
						23
						24
546,430,765	476,340,947	261,671,729	293,463,812			25
105,680,685	107,800,056	15,617,047	16,358,700			26

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No.	OTHER UTILITY		OTHER UTILITY		OTHER UTILITY	
	Current Year (k)	Previous Year (l)	Current Year (m)	Previous Year (n)	Current Year (o)	Previous Year (p)
1						
2						
3						
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
27	Net Utility Operating Income (Carried forward from page 114)		121,297,732	124,158,756
28	Other Income and Deductions			
29	Other Income			
30	Nonutilty Operating Income			
31	Revenues From Merchandising, Jobbing and Contract Work (415)		1,789	574,461
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		-17,014	705,555
33	Revenues From Nonutility Operations (417)		-130	361,455
34	(Less) Expenses of Nonutility Operations (417.1)		1,609,187	1,914,750
35	Nonoperating Rental Income (418)		-4,377	-3,022
36	Equity in Earnings of Subsidiary Companies (418.1)	119	9,156,784	-4,212,474
37	Interest and Dividend Income (419)		12,050,635	23,649,106
38	Allowance for Other Funds Used During Construction (419.1)		853,013	768,323
39	Miscellaneous Nonoperating Income (421)			1,922,152
40	Gain on Disposition of Property (421.1)		89,613	210,724
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		20,555,154	20,650,420
42	Other Income Deductions			
43	Loss on Disposition of Property (421.2)		282,852	68,722
44	Miscellaneous Amortization (425)	340	1,323,416	1,323,416
45	Miscellaneous Income Deductions (426.1-426.5)	340	3,860,068	2,537,596
46	TOTAL Other Income Deductions (Total of lines 43 thru 45)		5,466,336	3,929,734
47	Taxes Applic. to Other Income and Deductions			
48	Taxes Other Than Income Taxes (408.2)	262-263	-97,503	38,000
49	Income Taxes-Federal (409.2)	262-263	-129,828	3,329,302
50	Income Taxes-Other (409.2)	262-263	-481,773	-464,555
51	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	2,968,974	3,845,351
52	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	-66,775	-406,167
53	Investment Tax Credit Adj.-Net (411.5)			
54	(Less) Investment Tax Credits (420)			
55	TOTAL Taxes on Other Income and Deduct. (Total of 48 thru 54)		2,326,645	7,154,265
56	Net Other Income and Deductions (Enter Total lines 41, 46, 55)		12,762,173	9,566,421
57	Interest Charges			
58	Interest on Long-Term Debt (427)		82,501,596	93,113,627
59	Amort. of Debt Disc. and Expense (428)		3,907,423	5,538,126
60	Amortization of Loss on Reaquired Debt (428.1)		4,064,380	3,323,214
61	(Less) Amort. of Premium on Debt-Credit (429)			
62	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)			
63	Interest on Debt to Assoc. Companies (430)	340	320,268	
64	Other Interest Expense (431)	340		1,621,673
65	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		1,238,014	1,178,216
66	Net Interest Charges (Enter Total of lines 58 thru 65)		89,555,653	102,418,424
67	Income Before Extraordinary Items (Total of lines 27, 56 and 66)		44,504,252	31,306,753
68	Extraordinary Items			
69	Extraordinary Income (434)			
70	(Less) Extraordinary Deductions (435)			
71	Net Extraordinary Items (Enter Total of line 69 less line 70)			
72	Income Taxes-Federal and Other (409.3)	262-263		
73	Extraordinary Items After Taxes (Enter Total of line 71 less line 72)			
74	Net Income (Enter Total of lines 67 and 73)		44,504,252	31,306,753

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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STATEMENT OF RETAINED EARNINGS FOR THE YEAR

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
3. State the purpose and amount of each reservation or appropriation of retained earnings.
4. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
5. Show dividends for each class and series of capital stock.
6. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
8. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)		
1	Balance-Beginning of Year		122,942,102
2	Changes		
3	Adjustments to Retained Earnings (Account 439)		
4	Allocation of Retained Earnings to Series L no longer required		-64,104,077
5	Stock Options Exercised adjustment		-144,553
6	ESOP and other adjustment		170,109
7	Dividends received from Subsidiaries		9,990,037
8			
9	TOTAL Credits to Retained Earnings (Acct. 439)		-54,088,484
10			
11			
12			
13			
14			
15	TOTAL Debits to Retained Earnings (Acct. 439)		
16	Balance Transferred from Income (Account 433 less Account 418.1)		35,347,468
17	Appropriations of Retained Earnings (Acct. 436)		
18			
19			
20			
21			
22	TOTAL Appropriations of Retained Earnings (Acct. 436)		
23	Dividends Declared-Preferred Stock (Account 437)		
24			-1,155,438
25			
26			
27			
28			
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)		-1,155,438
30	Dividends Declared-Common Stock (Account 438)		
31			-23,633,569
32			
33			
34			
35			
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-23,633,569
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings		894,719
38	Balance - End of Year (Total 1,9,15,16,22,29,36,37)		80,306,798
	APPROPRIATED RETAINED EARNINGS (Account 215)		

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STATEMENT OF RETAINED EARNINGS FOR THE YEAR

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
3. State the purpose and amount of each reservation or appropriation of retained earnings.
4. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
5. Show dividends for each class and series of capital stock.
6. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
8. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
39			1,548,121
40			
41			
42			
43			
44			
45	TOTAL Appropriated Retained Earnings (Account 215)		1,548,121
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)		
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)		
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)		1,548,121
48	TOTAL Retained Earnings (Account 215, 215.1, 216) (Total 38, 47)		81,854,919
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)		
49	Balance-Beginning of Year (Debit or Credit)		65,750,804
50	Equity in Earnings for Year (Credit) (Account 418.1)		9,156,784
51	(Less) Dividends Received (Debit)		9,990,037
52	Subsidiary expense in Account 417.12		-894,719
53	Balance-End of Year (Total lines 49 thru 52)		64,022,832

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STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondents annual stockholders report are applicable to this statement, such notes should be included in page 122-123. Information about non-cash investing and financing activities should be provided on Page 122-123. Provide also on pages 122-123 a reconciliation between "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.
2. Under "Other" specify significant amounts and group others.
3. Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on Page 122-123 the amount of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	Description (See Instruction No. 5 for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities:	
2	Net Income	44,504,252
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	73,998,819
5	Power and natural gas deferrals	-5,535,312
6	Amortization of debt expense	7,971,803
7	Amortization of investment in exchange power	2,450,004
8	Deferred Income Taxes (Net)	38,791,463
9	Investment Tax Credit Adjustment (Net)	-49,308
10	Net (Increase) Decrease in Receivables	-18,650,796
11	Net (Increase) Decrease in Inventory	94,433
12	Net (Increase) Decrease in Allowances Inventory	
13	Net Increase (Decrease) in Payables and Accrued Expenses	8,167,229
14	Net (Increase) Decrease in Other Regulatory Assets	-630,827
15	Net Increase (Decrease) in Other Regulatory Liabilities	334,617
16	(Less) Allowance for Other Funds Used During Construction	2,192,697
17	(Less) Undistributed Earnings from Subsidiary Companies	9,156,784
18	Other current assets	1,803,240
19	ESOP dividends	167,506
20	Allowance for uncollectible receivables	-407,128
21	Other non-current assets and liabilities	2,849,925
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	144,510,439
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	-105,617,593
27	Gross Additions to Nuclear Fuel	
28	Gross Additions to Common Utility Plant	
29	Gross Additions to Nonutility Plant	-581,511
30	(Less) Allowance for Other Funds Used During Construction	
31	Other (provide details in footnote):	
32	Other Property and Investments	-2,848,976
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-109,048,080
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	482,872
38		
39	Investments in and Advances to Assoc. and Subsidiary Companies	-7,344,568
40	Contributions and Advances from Assoc. and Subsidiary Companies	
41	Disposition of Investments in (and Advances to)	
42	Associated and Subsidiary Companies	
43	Dividends from Subsidiary Companies	9,990,036
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment Securities (a)	

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STATEMENT OF CASH FLOWS

4. Investing Activities include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed on pages 122-123. Do not include on this statement the dollar amount of Leases capitalized per US of A General Instruction 20; instead provide a reconciliation of the dollar amount of Leases capitalized with the plant cost on pages 122-123.

5. Codes used:

(a) Net proceeds or payments.

(b) Bonds, debentures and other long-term debt.

(c) Include commercial paper.

(d) Identify separately such items as investments, fixed assets, intangibles, etc.

6. Enter on pages 122-123 clarifications and explanations.

Line No.	Description (See Instruction No. 5 for Explanation of Codes) (a)	Amounts (b)
46	Loans Made or Purchased	-73,000
47	Collections on Loans	6,775
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in Allowances Held for Speculation	
52	Net Increase (Decrease) in Payables and Accrued Expenses	
53	Other (provide details in footnote):	
54		
55		
56	Net Cash Provided by (Used in) Investing Activities	
57	Total of lines 34 thru 55)	-105,985,965
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long-Term Debt (b)	44,795,250
62	Preferred Stock	
63	Common Stock	3,775,591
64	Other (provide details in footnote):	
65		
66	Net Increase in Short-Term Debt (c)	50,000,000
67	Other (provide details in footnote):	
68		
69		
70	Cash Provided by Outside Sources (Total 61 thru 69)	98,570,841
71		
72	Payments for Retirement of:	
73	Long-term Debt (b)	-124,033,279
74	Preferred Stock	-1,574,266
75	Common Stock	
76	Other (provide details in footnote):	
77	Premiums paid for the repurchase of long-term debt	-1,709,769
78	Net Decrease in Short-Term Debt (c)	
79	Borrowing issuance costs	-2,429,756
80	Dividends on Preferred Stock	-1,155,438
81	Dividends on Common Stock	-23,633,569
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	-55,965,236
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22,57 and 83)	-17,440,762
87		
88	Cash and Cash Equivalents at Beginning of Year	37,024,773
89		
90	Cash and Cash Equivalents at End of Year	19,584,011

Name of Respondent	This Report Is:	Date of Report	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.

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SEE PAGE 123 FOR REQUIRED INFORMATION.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Avista Corporation (Avista Corp. or the Company) is an energy company engaged in the generation, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is an operating division of Avista Corp. comprising the regulated utility operations. Avista Utilities generates, transmits and distributes electricity in parts of eastern Washington and northern Idaho. Avista Utilities also provides natural gas distribution service in parts of eastern Washington, northern Idaho, northeast and southwest Oregon and in the South Lake Tahoe region of California. Avista Capital, a wholly owned subsidiary of Avista Corp., is the parent company of all of the subsidiary companies in the non-utility business segments.

The Company's operations are exposed to risks including, but not limited to, the price and supply of purchased power, fuel and natural gas, regulatory allowance of power and natural gas costs and capital investments, streamflow and weather conditions, the effects of changes in legislative and governmental regulations, changes in regulatory requirements, availability of generation facilities, competition, technology and availability of funding. Also, like other utilities, the Company's facilities and operations may be exposed to terrorism risks or other malicious acts. In addition, the energy business exposes the Company to the financial, liquidity, credit and commodity price risks associated with wholesale purchases and sales.

Basis of Reporting

The financial statements include the assets, liabilities, revenues and expenses of the Company. As required by the Federal Energy Regulatory Commission, the Company accounts for its investment in majority-owned subsidiaries on the equity method rather than consolidating the assets, liabilities, revenues, and expenses of these subsidiaries, as required by accounting principles generally accepted in the United States of America. The accompanying financial statements include the Company's proportionate share of utility plant and related operations resulting from its interests in jointly owned plants (See Note 7).

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. Significant estimates include determining unbilled revenues, the market value of energy commodity assets and liabilities, pension and other postretirement benefit plan liabilities, and contingent liabilities. Changes in these estimates and assumptions are considered reasonably possible and may have a material effect on the financial statements and thus actual results could differ from the amounts reported and disclosed herein.

System of Accounts

The accounting records of the Company's utility operations are maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by the appropriate state regulatory commissions.

Regulation

The Company is subject to state regulation in Washington, Idaho, Montana, Oregon and California. The Company is subject to federal regulation by the FERC.

Avista Utilities Operating Revenues

Operating revenues for Avista Utilities related to the sale of energy are generally recorded when service is rendered or energy is delivered to customers. The determination of the energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, the amount of energy delivered to customers since the date of the last meter reading is estimated and the corresponding unbilled revenue is estimated and recorded. Accounts receivable includes unbilled energy revenues of $9.0 million (net of $47.0 million of unbilled receivables sold) and $6.1 million (net of $40.9 million of unbilled receivables sold) as of December 31, 2003 and 2002, respectively. See Note 3 for information with respect to the sale of accounts receivable.

Advertising Expenses
The Company expenses advertising costs as incurred. Advertising expenses totaled $1.4 million, $1.3 million and $1.8 million in 2003, 2002 and 2001, respectively.

Taxes other than income taxes
Taxes other than income taxes include state excise taxes, city occupational and franchise taxes, real and personal property taxes and certain other taxes not based on net income. These taxes are generally based on revenues or the value of property. Utility related taxes collected from customers are recorded as both operating revenue and expense and totaled $31.7 million, $33.1 million and $26.3 million in 2003, 2002 and 2001, respectively.

Other Income-Net
Other income-net consisted of the following items for the years ended December 31 (dollars in thousands):

	2003	2002	2001
Interest income	$4,810	$7,716	$19,049
Interest on power and natural gas deferrals	8,361	9,597	12,995
Impairment of non-operating assets	-	-	(8,240)
Net gain (loss) on the disposition of assets	(334)	(33)	2,884
Net gain (loss) on subsidiary investments	(1,207)	2,084	(180)
Minority interest	-	-	(656)
Other expense	(7,063)	(6,570)	(10,208)
Other income	1,606	4,467	4,437
Total	$6,173	$17,261	$20,081

Income Taxes
The Company and its eligible subsidiaries file consolidated federal income tax returns. Subsidiaries are charged or credited with the tax effects of their operations on a stand-alone basis. The Company's federal income tax returns were examined with all issues resolved, and all payments made, through the 2000 return.

The Company accounts for income taxes using the liability method. Under the liability method, a deferred tax asset or liability is determined based on the enacted tax rates that will be in effect when the differences between the financial statement carrying amounts and tax basis of existing assets and liabilities are expected to be reported in the Company's consolidated income tax returns. The deferred tax expense for the period is equal to the net change in the deferred tax asset and liability accounts from the beginning to the end of the period. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock-Based Compensation
The Company follows the disclosure only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, employee stock options are accounted for under Accounting Principle Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." Stock options are granted at exercise prices not less than the fair value of common stock on the date of grant. Under APB No. 25, no compensation expense is recognized pursuant to the Company's stock option plans.

If compensation expense for the Company's stock option plans were determined consistent with SFAS No. 123, net income and earnings per common share would have been the following pro forma amounts for the years ended December 31:

	2003	2002	2001
Net income (dollars in thousands):			
As reported	$44,504	$31,307	$12,156
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of tax	2,186	3,051	2,801
Pro forma	$42,318	$28,256	$ 9,355
Basic earnings per common share			
As reported	$0.90	$0.60	$0.21
Pro forma	$0.85	$0.54	$0.15
Diluted earnings per common share			
As reported	$0.89	$0.60	$0.20
Pro forma	$0.85	$0.54	$0.15

Comprehensive Income
The Company's comprehensive income is comprised of net income and changes in the unfunded accumulated benefit obligation for the pension plan.

Earnings Per Common Share
Basic earnings per common share is computed by dividing income available for common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing income available for common stock by diluted weighted average common shares outstanding during the period, including common stock equivalent shares outstanding using the treasury stock method, unless such shares are anti-dilutive. Common stock equivalent shares include shares issuable upon exercise of stock options, contingently issuable shares and restricted stock. See Note 21 for earnings per common share calculations.

Cash and Cash Equivalents
For the purposes of the Consolidated Statements of Cash Flows, the Company considers all temporary investments with a purchased maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash deposits from counterparties. See Note 6 for further information with respect to cash deposits from counterparties.

Allowance for Doubtful Accounts
The Company maintains an allowance for doubtful accounts to provide for estimated and potential losses on accounts receivable. The Company determines the allowance for utility and other customer accounts receivable based on historical write-offs as compared to accounts receivable and operating revenues. Additionally, the Company establishes specific allowances for certain individual accounts. The following table documents the activity in the allowance for doubtful accounts during the years ended December 31 (dollars in thousands):

	2003	2002	2001
Allowance as of the beginning of the year	$46,909	$50,211	$14,404
Additions expensed during the year	1,912	3,469	39,947
Net deductions	(2,439)	(6,771)	(4,140)
Allowance as of the end of the year	$46,382	$46,909	$50,211

Inventory
Inventory consists primarily of materials and supplies, fuel stock and natural gas stored. Inventory is recorded at the lower of cost or market, primarily using the average cost method.

Utility Plant in Service
The cost of additions to utility plant in service, including an allowance for funds used during construction and replacements of units of property and improvements, is capitalized. Costs of depreciable units of property retired plus costs of removal less salvage are charged to accumulated depreciation.

Allowance for Funds Used During Construction
The Allowance for Funds Used During Construction (AFUDC) represents the cost of both the debt and equity funds used to finance utility plant additions during the construction period. In accordance with the uniform system of accounts prescribed by regulatory authorities, AFUDC is capitalized as a part of the cost of utility plant and is credited currently as a non-cash item in the Consolidated Statements of Income in the line item capitalized interest. The Company generally is permitted, under established regulatory rate practices, to recover the capitalized AFUDC, and a fair return thereon, through its inclusion in rate base and the provision for depreciation after the related utility plant is placed in service. Cash inflow related to AFUDC generally does not occur until the related utility plant is placed in service and included in rate base.

The effective AFUDC rate was 9.72 percent for 2003 and the second half of 2002 and 9.03 percent for the first half of 2002 and 2001. The Company's AFUDC rates do not exceed the maximum allowable rates as determined in accordance with the requirements of regulatory authorities.

Depreciation
For utility operations, depreciation expense is estimated by a method of depreciation accounting utilizing unit rates for hydroelectric plants and composite rates for other utility plant. Such rates are designed to provide for retirements of properties at the expiration of their service lives. The rates for hydroelectric plants include annuity and interest components, in which the interest component is 9 percent. For utility operations, the ratio of depreciation provisions to average depreciable property was 2.98 percent in 2003, 2.92 percent in 2002 and 2.84 percent in 2001.

The average service lives for the following broad categories of utility property are: electric thermal production - 30 years; hydroelectric production - 77 years; electric transmission - 41 years; electric distribution - 46 years; and natural gas distribution property - 35 years.

The Company recovers certain asset retirement costs through rates charged to customers as a portion of its depreciation expense. The Company had estimated retirement costs of $197.7 million and $185.4 million included as a regulatory liability on the Consolidated Balance Sheet as of December 31, 2003 and 2002, respectively. These costs do not represent legal or contractual obligations.

Regulatory Deferred Charges and Credits
The Company prepares its consolidated financial statements in accordance with the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." The Company prepares its financial statements in accordance with SFAS No. 71 because (i) the Company's rates for regulated services are established by or subject to approval by an independent third-party regulator, (ii) the regulated rates are designed to recover the Company's cost of providing the regulated services and (iii) in view of demand for the regulated services and the level of competition, it is reasonable to assume that rates can be charged to and collected from customers at levels that will recover the Company's costs. SFAS No. 71 requires the Company to reflect the impact of regulatory decisions in its financial statements. SFAS No. 71 requires that certain costs and/or obligations (such as incurred power and natural gas costs not currently recovered through rates, but expected to be recovered in the future) are reflected as deferred charges on the balance sheet. These costs and/or obligations are not reflected in the statement of income until the period during which matching revenues are recognized. If at some point in the future the Company determines that it no longer meets the criteria for continued application of SFAS No. 71 with respect to all or a portion of the Company's regulated operations, the Company could be required to write off its regulatory assets. The Company could also be precluded from the future deferral of costs not recovered through rates at the time such costs were incurred, even if the Company expected to recover such costs in the future.

The Company's primary regulatory assets include power and natural gas deferrals (see "Power Cost Deferrals and Recovery Mechanisms" and "Natural Gas Cost Deferrals and Recovery Mechanisms" below for further information), investment in exchange power (see "Investment in Exchange Power-Net" below for further information), regulatory assets for deferred income taxes (see Note 10 for further information), unamortized debt expense (see "Unamortized Debt Expense" below for further information), regulatory asset for consolidation of variable interest entity (see Note 2 for further information), demand side management programs, conservation programs and the provision for postretirement benefits. Those items without a specific line on the Consolidated Balance Sheets are included in other regulatory assets.

Other regulatory assets consisted of the following as of December 31 (dollars in thousands):

	2003	2002
Regulatory asset for consolidation of variable interest entity	$16,707	$ -
Regulatory asset for postretirement benefit obligation	4,255	4,728
Demand side management and conservation programs	19,683	23,733
Other	3,736	1,274
Total	$44,381	$29,735

Regulatory liabilities include utility plant retirement costs. Deferred credits include, among other items, regulatory liabilities created when the Centralia Power Plant (Centralia) was sold, regulatory liabilities offsetting net energy commodity derivative assets (see Note 4 for further information) and the gain on the general office building sale/leaseback, which is being amortized over the life of the lease, and are included on the Consolidated Balance Sheets as other non-current liabilities and deferred credits.

Regulatory assets that are not currently included in rate base, being recovered in current rates or earning a return (accruing interest), totaled $24.3 million as of December 31, 2003. The most significant of these assets was the $16.7 million regulatory asset for the consolidation of a variable interest entity (WP Funding LP) and $5.3 million of demand side management programs. Avista Utilities' lease payments to WP Funding LP of $4.5 million are being recovered in current rates; the regulatory asset primarily represents the accumulated difference between depreciation expense on the plant and the principal payments made on the debt obligation (see Note 2), which will be reversed in future periods as debt principal payments are made. The balance of the demand side management regulatory asset will be reduced through future recoveries from customers that are more than future amounts expended on such programs.

Investment in Exchange Power-Net

The investment in exchange power represents the Company's previous investment in Washington Public Power Supply System Project 3 (WNP-3), a nuclear project that was terminated prior to completion. Under a settlement agreement with the Bonneville Power Administration in 1985, Avista Utilities began receiving power in 1987, for a 32.5-year period, related to its investment in WNP-3. Through a settlement agreement with the Washington Utilities and Transportation Commission (WUTC) in the Washington jurisdiction, Avista Utilities is amortizing the recoverable portion of its investment in WNP-3 (recorded as investment in exchange power) over a 32.5 year period beginning in 1987. For the Idaho jurisdiction, Avista Utilities has fully amortized the recoverable portion of its investment in exchange power.

Unamortized Debt Expense

Unamortized debt expense includes debt issuance costs that are amortized over the life of the related debt, as well as premiums paid to repurchase debt, which are amortized over the average remaining maturity of outstanding debt in accordance with regulatory accounting practices under SFAS No. 71. These costs are recovered through retail rates as a component of interest expense.

Natural Gas Benchmark Mechanism

The Idaho Public Utilities Commission (IPUC), WUTC and Oregon Public Utilities Commission (OPUC) approved Avista Utilities' Natural Gas Benchmark Mechanism in 1999. The mechanism eliminated the majority of natural gas procurement operations within Avista Utilities and placed responsibility for natural gas procurement operations in Avista Energy, the Company's non-regulated subsidiary. The ownership of the natural gas assets remains with Avista Utilities; however, the assets are managed by Avista Energy through an Agency Agreement. Avista Utilities continues to manage natural gas procurement for its California operations, which currently represents approximately four percent of its total natural gas therm sales.

The Natural Gas Benchmark Mechanism provides benefits to retail customers and allows Avista Energy to retain a portion of the benefits associated with asset optimization and the efficiencies gained in purchasing natural gas for Avista Utilities as part of a larger portfolio. In the first quarter of 2002, the IPUC and the OPUC approved the continuation of the Natural Gas Benchmark Mechanism and related Agency Agreement through March 31, 2005. In January 2003, the WUTC approved the continuation of the Natural Gas

Benchmark Mechanism and related Agency Agreement through January 29, 2004. In February 2004, the WUTC ordered that the Natural Gas Benchmark Mechanism and related Agency Agreement be terminated for Washington customers and ordered Avista Utilities to file a transition plan to move management of these functions back into Avista Utilities.

In accordance with SFAS No. 71, profits recognized by Avista Energy on natural gas sales to Avista Utilities, including gains and losses on natural gas contracts, are not eliminated in the consolidated financial statements. This is due to the fact that Avista Utilities expects to recover the costs of natural gas purchases to serve retail customers and for fuel for electric generation through future retail rates.

Power Cost Deferrals and Recovery Mechanisms

Avista Utilities defers the recognition in the income statement of certain power supply costs as approved by the WUTC. Deferred power supply costs are recorded as a deferred charge on the balance sheet for future review and the opportunity for recovery through retail rates. The power supply costs deferred include certain differences between actual power supply costs incurred by Avista Utilities and the costs included in base retail rates. This difference in power supply costs primarily results from changes in short-term wholesale market prices, changes in the level of hydroelectric generation and changes in the level of thermal generation (including changes in fuel prices). Avista Utilities accrues interest on deferred power costs in the Washington jurisdiction at a rate, which is adjusted semi-annually, of 8.5 percent as of December 31, 2003. Total deferred power costs for Washington customers were $125.7 million and $123.7 million as of December 31, 2003 and 2002, respectively.

The WUTC issued an order that became effective July 1, 2002 for restructuring of rate increases previously approved by the WUTC totaling 31.2 percent. The July 2002 rate change increased base retail rates 19.3 percent and provided an 11.9 percent continuing surcharge for the recovery of deferred power costs. The WUTC rate order also established an Energy Recovery Mechanism (ERM) effective July 1, 2002. The ERM replaced a series of temporary deferral mechanisms that had been in place in Washington since mid-2000. The ERM allows Avista Utilities to increase or decrease electric rates periodically with WUTC approval to reflect changes in power supply costs. The ERM provides for Avista Utilities to incur the cost of, or receive the benefit from, the first $9.0 million in annual power supply costs above or below the amount included in base retail rates. Under the ERM, 90 percent of annual power supply costs exceeding or below the initial $9.0 million are deferred for future surcharge or rebate to Avista Utilities' customers. The remaining 10 percent of power supply costs are an expense of, or benefit to, the Company.

Under the ERM, Avista Utilities makes an annual filing to provide the opportunity for the WUTC and other interested parties to review the prudence of and audit the ERM deferred power cost transactions for the prior calendar year. Avista Utilities made its first annual filing with the WUTC in March 2003 related to $18.4 million of deferred power costs incurred for the period July 1, 2002 through December 31, 2002. In January 2004, the WUTC approved a settlement agreement among Avista Utilities, the WUTC staff and the Industrial Customers of Northwest Utilities, which provided for Avista Utilities to write off $2.5 million (recorded in 2003) of previously deferred power costs related to the delay of the Coyote Springs 2 project in 2002 and 2003 and allows recovery of all other deferred power costs incurred through December 31, 2002.

Avista Utilities has a power cost adjustment (PCA) mechanism in Idaho that allows it to modify electric rates periodically with IPUC approval. Under the PCA mechanism, Avista Utilities defers 90 percent of the difference between certain actual net power supply expenses and the authorized level of net power supply expenses approved in the last Idaho general rate case. Avista Utilities accrues interest on deferred power costs in the Idaho jurisdiction at a rate, which is adjusted annually, of 1.0 percent on current year deferrals and 3.0 percent on carryover balances as of December 31, 2003. The IPUC originally approved a 19.4 percent surcharge in October 2001, which has been extended through October 2004 for recovery of previously deferred power costs. Based on IPUC staff recommendations and IPUC orders, the prudence of $11.9 million of deferred power costs will be reviewed in the electric general rate case that Avista Utilities filed in February 2004. Total deferred power costs for Idaho customers were $30.3 million and $31.5 million as of December 31, 2003 and 2002, respectively.

Natural Gas Cost Deferrals and Recovery Mechanisms

Under established regulatory practices in each respective state, Avista Utilities is allowed to adjust its natural gas rates periodically (with regulatory approval) to reflect increases or decreases in the cost of natural gas purchased. Differences between actual natural gas costs and the natural gas costs already included in retail rates are deferred and charged or credited to expense when regulators approve inclusion of the cost changes in rates. Total deferred natural gas costs were $15.4 million and $11.5 million as of December 31, 2003 and 2002, respectively.

Reclassifications
Certain prior period amounts were reclassified to conform to current statement format. These reclassifications were made for comparative purposes and to conform to changes in accounting standards and have not affected previously reported total net income or common equity.

NOTE 2. NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations" which addresses financial accounting and reporting for legal or contractual obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement requires the recording of the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the associated costs of the asset retirement obligation will be capitalized as part of the carrying amount of the related long-lived asset. The liability will be accreted to its present value each period and the related capitalized costs will be depreciated over the useful life of the related asset. Upon retirement of the asset, the Company will either settle the retirement obligation for its recorded amount or incur a gain or loss. The adoption of this statement on January 1, 2003 did not have a material effect on the Company's financial condition or results of operations.

The Company recovers certain utility plant retirement costs through rates charged to customers as a component of depreciation expense. To conform to SFAS No. 143, the Company has reclassified $197.7 million and $185.4 million of utility plant retirement costs previously recorded in accumulated depreciation to regulatory liabilities as of December 31, 2003 and 2002, respectively. These costs do not represent legal or contractual obligations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" which nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This statement requires that a liability for a cost associated with an exit or disposal activity is recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 also requires the initial measurement of the liability at fair value. This statement is effective for exit or disposal activities that were initiated after December 31, 2002. The adoption of this statement did not have any effect on the Company's financial condition or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" which amends SFAS No. 123 "Accounting for Stock-Based Compensation." This statement provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based compensation. In addition, this statement requires the disclosure of pro forma net income and earnings per common share had the Company adopted the fair value method of accounting for stock-based compensation in a more prominent place in the financial statements (see Note 1 "Stock-based Compensation"). This statement also requires the disclosure of pro forma net income and earnings per common share in interim as well as annual financial statements. The alternative transition methods and annual financial statement disclosures are effective for fiscal years ending after December 15, 2002. Interim disclosures are required for periods ending after December 15, 2002. The adoption of this statement affects the Company's disclosures. As the Company has not elected to adopt the fair value method of accounting for stock-based compensation, the adoption of this statement does not have any effect on the Company's financial condition or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends SFAS No. 133 for decisions made: (1) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS No. 133; (2) in connection with other FASB projects dealing with financial instruments; and (3) in connection with implementation issues raised in relation to the application of the definition of a derivative, (in particular, the meaning of an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, the meaning of underlying, and the characteristics of a derivative that contain financing components). This statement is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. The provisions of SFAS No. 149 that relate to SFAS No. 133 implementation issues that were effective for fiscal quarters that began prior to June 15, 2003 should continue to be applied in accordance with their respective effective dates. In addition, certain provisions relating to forward purchases or sales of "when-issued" securities or other securities that do not yet exist, should be applied to existing contracts as well as new contracts entered into after June 30, 2003. Avista

Utilities has entered into certain forward contracts to purchase or sell power and natural gas used for generation that no longer meet the normal purchases and sales exception in accordance with the provisions of SFAS No. 149. This statement requires that substantially all new forward contracts to purchase or sell power and natural gas used for generation, which were entered into on or after July 1, 2003, be recorded as assets or liabilities at market value with an offsetting regulatory asset or liability as authorized by regulatory accounting orders (see Note 4). In accordance with the provisions of SFAS No. 149, Avista Utilities recorded derivative assets of $1.5 million and derivative liabilities of $0.1 million as of December 31, 2003.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement requires the Company to classify certain financial instruments as liabilities that have historically been classified as equity. This statement requires the Company to classify as a liability financial instruments that are subject to mandatory redemption at a specified or determinable date or upon an event that is certain to occur. This statement was effective for financial instruments entered into or modified after May 31, 2003, and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. The restatement of financial statements for prior periods is not permitted. The adoption of this statement required the Company to classify $31.5 million of preferred stock subject to mandatory redemption as liabilities on the Consolidated Balance Sheet. The adoption of this statement also required the Company to classify preferred stock dividends of $1.1 million for the period from July 1, 2003 through December 31, 2003 as interest expense in the Consolidated Statements of Income. The adoption of this statement does not cause the Company to fail to meet any of the covenants of the Company's $245.0 million committed line of credit, including covenants not to permit the ratio of "consolidated total debt" to "consolidated total capitalization" of Avista Corp. to be greater than 65 percent at the end of any fiscal quarter as the covenant calculations exclude the effect of changes in accounting standards.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement requires expanded disclosures with respect to pension plan assets, benefit obligations, cash flows, benefit costs and other relevant information. However, this statement does not change the measurement and recognition provisions of previous FASB statements related to pensions and other postretirement benefits. The Company was required to adopt this statement for 2003. The adoption of this statement did not have any effect on the Company's financial condition or results of operations. The expanded disclosures required by this statement are included in Note 9.

In July 2003, the EITF reached consensus on Issue No. 03-11, "Reporting Realized Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133 and Not Held for Trading Purposes as Defined in EITF Issue No. 02-3." This EITF Issue requires that revenues and resource costs from Avista Utilities' settled energy contracts that are "booked out" (not physically delivered) should be reported on a net basis as part of operating revenues effective October 1, 2003. The adoption of this EITF Issue resulted in a reduction in operating revenues and resource costs of approximately $1.2 million for 2003 as compared to historical periods for Avista Utilities. This effect on operating revenues and resource costs will be more significant in 2004 and subsequent years as the netting of "booked out" contracts will be recorded for the entire year.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation clarifies the requirements of SFAS No. 5, "Accounting for Contingencies" relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. This interpretation requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. The initial recognition and measurement provisions of this interpretation are to be applied on a prospective basis to guarantees issued or modified subsequent to December 31, 2002 and did not have a material effect on the Company's financial condition or results of operations. The disclosure requirements of this interpretation are effective for financial statements issued for periods that end after December 15, 2002. See Note 17 for disclosure of the Company's guarantees.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," which was revised in December 2003 (collectively referred to as FIN 46). In October 2003, the implementation of FIN 46 was delayed from the third quarter of 2003 to the fourth quarter of 2003. In general, a variable interest entity does not have equity investors with voting rights or it has equity investors that do not provide sufficient financial resources for the entity to support its activities. Variable interest entities are commonly referred to as special purpose entities or off-balance sheet structures; however, FIN 46 applies to a broader group of entities. FIN 46 requires a variable interest entity to be consolidated by the primary beneficiary of that entity. The primary beneficiary is subject to a majority of the risk of loss from the variable interest entity's activities or it is entitled to receive a majority of the entity's residual returns. FIN 46 also requires disclosure of variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 applied immediately to variable interest entities created after January 31, 2003 and applied to certain existing variable interest entities for the first fiscal year or interim period ending after December 15, 2003. Application for all other types of entities is required for periods ending after March 15, 2004.

FIN 46 required the Company to consolidate WP Funding LP effective for the period ended December 31, 2003. WP Funding LP is an entity that was formed in 1993 for the purpose of acquiring the natural gas-fired combustion turbine generating facility in Rathdrum, Idaho (Rathdrum CT). WP Funding LP purchased the Rathdrum CT from the Company with funds provided by unrelated investors of which 97 percent represented debt and 3 percent represented equity. The Company operates the Rathdrum CT and leases it from WP Funding LP. The total amount of WP Funding LP debt outstanding was $54.6 million as of December 31, 2003. The lease term expires in February 2020; however, the current debt matures in October 2005 and will need to be refinanced at that time. As of December 31, 2003, the book value of the debt and equity of WP Funding LP exceeded the book value of the Rathdrum CT by $16.7 million. In accordance with regulatory accounting practices, the Company recorded this amount as a regulatory asset upon the consolidation of WP Funding LP. The addition of the Rathdrum CT to Avista Utilities' generation resource base, which entered commercial operation in 1995, was reviewed in previous state regulatory filings with the WUTC and IPUC. The consolidation of WP Funding LP increased long-term debt by $54.6 million, net utility property by $39.6 million, other regulatory assets by $16.7 million and other liabilities by $1.7 million (representing minority interest) as of December 31, 2003.

FIN 46 also resulted in the Company no longer including Avista Capital I and Avista Capital II in its consolidated financial statements for the period ended December 31, 2003. Avista Capital I and Avista Capital II are business trusts formed in 1997 for the purpose of issuing a combined $110.0 million of preferred trust securities to third parties and $3.4 million of common trust securities to Avista Corp. The sole assets of Avista Capital I and Avista Capital II are $113.4 million of junior subordinated deferrable interest debentures of Avista Corp. Avista Capital I and Avista Capital II are considered variable interest entities under the provisions of FIN 46. As Avista Corp. is not the primary beneficiary, these entities are no longer included in Avista Corp.'s consolidated financial statements. The removal of Avista Capital I and Avista Capital II resulted in a decrease in preferred trust securities of $100.0 million, an increase in long-term debt to affiliated trusts of $113.4 million and an increase in investments in affiliated trusts of $13.4 million (representing the $3.4 million of common trust securities and $10.0 million of preferred trust securities purchased by Avista Corp. in 2000) as of December 31, 2003. Interest expense to affiliated trusts of $1.5 million in the Consolidated Statements of Income for 2003 represents interest expense on the $113.4 million of long-term debt to affiliated trusts for the fourth quarter of 2003.

The adoption FIN 46 does not cause the Company to fail to meet any of the covenants of the Company's $245.0 million committed line of credit, including covenants not to permit the ratio of "consolidated total debt" to "consolidated total capitalization" of Avista Corp. to be greater than 65 percent at the end of any fiscal quarter as the covenant calculations exclude the effect of changes in accounting standards.

NOTE 3. ACCOUNTS RECEIVABLE SALE

In 1997, Avista Receivables Corp. (ARC) was formed as a wholly owned, bankruptcy-remote subsidiary of the Company for the purpose of acquiring or purchasing interests in certain accounts receivable, both billed and unbilled, of the Company. On May 29, 2002, ARC, the Company and a third-party financial institution entered into a three-year agreement whereby ARC can sell without recourse, on a revolving basis, up to $100.0 million of those receivables. ARC is obligated to pay fees that approximate the purchaser's cost of issuing commercial paper equal in value to the interests in receivables sold. On a consolidated basis, the amount of such fees is included in operating expenses of the Company. As of December 31, 2003 and 2002, $72.0 million and $65.0 million, respectively, in accounts receivables were sold under this revolving agreement.

NOTE 4. UTILITY ENERGY COMMODITY DERIVATIVE ASSETS AND LIABILITIES

SFAS No. 133, as amended by SFAS No. 138, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires the recording of all derivatives as either assets or liabilities on the balance sheet measured at estimated fair value and the recognition of the unrealized gains and losses. In certain defined conditions, a derivative may be specifically designated as a hedge for a particular exposure. The accounting for derivatives depends on the intended use of the derivatives and the resulting designation.

Avista Utilities enters into forward contracts to purchase or sell energy. Under these forward contracts, Avista Utilities commits to purchase or sell a specified amount of energy at a specified time, or during a specified period, in the future. Certain of these forward contracts are considered derivative instruments. Avista Utilities also records derivative commodity assets and liabilities for over-the-counter and exchange-traded derivative instruments as well as certain long-term contracts. These contracts are entered into as part of Avista Utilities' management of its loads and resources as discussed in Note 5. In conjunction with the issuance of SFAS No. 133, the WUTC and the IPUC issued accounting orders authorizing Avista Utilities to offset any derivative assets or liabilities with a regulatory asset or liability. This accounting treatment is intended to defer the recognition of mark-to-market gains and losses on energy commodity transactions until the period of settlement. The order provides for Avista Utilities to not recognize the unrealized gain or loss on utility derivative commodity instruments in the Consolidated Statements of Income. Realized gains or losses are recognized in the period of settlement subject to current or future recovery in retail rates. Realized gains and losses are reflected as adjustments through purchased gas cost adjustments, the ERM and the PCA mechanism.

Prior to the adoption of SFAS No. 149 on July 1, 2003, Avista Utilities elected the normal purchases and sales exception for substantially all of its contracts for both capacity and energy under SFAS No. 133. As such, Avista Utilities was not required to record these contracts as derivative commodity assets and liabilities. See Note 2 for a discussion of prospective changes that impact the accounting for contracts when entered on or after July 1, 2003, in accordance with SFAS No. 149. Contracts that are not considered derivatives under SFAS No. 133 are generally accounted for at cost until they are settled or realized, unless there is a decline in the fair value of the contract that is determined to be other than temporary.

As of December 31, 2003, the utility derivative commodity asset balance was $39.5 million, the derivative commodity liability balance was $36.1 million and the offsetting net regulatory liability was $3.4 million. As of December 31, 2002, the utility derivative commodity asset balance was $60.3 million, the derivative commodity liability balance was $50.1 million and the offsetting net regulatory liability was $10.2 million. Utility derivative assets and liabilities, as well as the offsetting net regulatory asset or liability, can change significantly from period to period due to the settlement of contracts, the entering of new contracts and changes in commodity prices. The offsetting net regulatory liability is included in other non-current liabilities and deferred credits on the Consolidated Balance Sheet.

NOTE 5. ENERGY COMMODITY TRADING

The Company's energy-related businesses are exposed to risks relating to, but not limited to, changes in certain commodity prices, interest rates, foreign currency and counterparty performance. In order to manage the various risks relating to these exposures, Avista Utilities utilizes derivative instruments, such as forwards, futures, swaps and options, and Avista Energy engages in the trading of such instruments. Avista Utilities and Avista Energy use a variety of techniques to manage risks for their energy resources and wholesale energy market activities. The Company has risk management policies and procedures to manage these risks, both qualitative and quantitative, for Avista Utilities and Avista Energy. The Company's Risk Management Committee, which is separate from the units tasked with managing this risk exposure and is overseen by the Audit Committee of the Company's Board of Directors, monitors compliance with the Company's risk management policies and procedures.

Avista Utilities

Avista Utilities engages in an ongoing process of resource optimization, which involves the pursuit of economic resources to serve load obligations and using existing resources to capture available economic value. Avista Utilities sells and purchases wholesale electric capacity and energy to and from utilities and other entities as part of the process of acquiring resources to serve its retail and wholesale load obligations. These transactions range from a term as short as one hour up to long-term contracts that extend beyond one year. Avista Utilities makes continuing projections of (1) future retail and wholesale loads based on, among other things, forward estimates of factors such as customer usage and weather as well as historical data and contract terms and (2) resource availability based on, among other things, estimates of streamflows, generating unit availability, historic and forward market information and experience. On the basis of these continuing projections, Avista Utilities makes purchases and sales of energy on an annual, quarterly, monthly, daily and hourly basis to match expected resources to expected energy requirements. Resource optimization also includes transactions such as purchasing fuel to run thermal generation and, when economic, selling fuel and substituting wholesale market purchases for the operation of Avista Utilities' own resources, as well as other wholesale transactions to capture the value of available generation and transmission resources. This optimization process includes entering into financial and physical hedging transactions as a means of managing risks.

Avista Utilities manages the impact of fluctuations in electric energy prices by establishing volume limits for the imbalance between projected loads and resources and through the use of derivative commodity instruments for hedging purposes. Any load/resource imbalances within a rolling 18-month planning horizon are managed within risk policy volumetric limits. Management also assesses available resource decisions and actions that are appropriate for longer-term planning periods. Avista Energy is responsible for the daily management of natural gas supplies to meet the requirements of Avista Utilities' customers in the states of Washington, Idaho and Oregon. In February 2004, the WUTC ordered that the Natural Gas Benchmark Mechanism and related Agency Agreement be terminated for Washington customers (see description of Natural Gas Benchmark Mechanism in Note 1). Avista Utilities continues to manage natural gas procurement for its California operations, which currently represents approximately four percent of its total natural gas therm sales.

Market Risk

Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative commodity instruments. Market risk is influenced to the extent that the performance or nonperformance by market participants of their contractual obligations and commitments affect the supply of, or demand for, the commodity.

Avista Utilities and Avista Energy manage, on a portfolio basis and on a delivery point basis, the market risks inherent in their activities subject to parameters established by the Company's Risk Management Committee. These parameters include but are not limited to overall portfolio and delivery point volumetric limits. Market risks are monitored by the Risk Management Committee to ensure compliance with the Company's risk management policies. Avista Utilities measures exposure to market risk through daily evaluation of the imbalance between projected loads and resources. Avista Energy measures the risk in its portfolio on a daily basis utilizing a VAR model and monitors its risk in comparison to established thresholds.

Credit Risk

Credit risk relates to the risk of loss that Avista Utilities and/or Avista Energy would incur as a result of non-performance by counterparties of their contractual obligations to deliver energy and make financial settlements. Credit risk includes the risk that a counterparty may default due to circumstances relating directly to it and the risk that a counterparty may default due to circumstances that relate to other market participants that have a direct or indirect relationship with such counterparty. Avista Utilities and Avista Energy seek to mitigate credit risk by applying specific eligibility criteria to existing and prospective counterparties and by actively monitoring current credit exposures. These policies include an evaluation of the financial condition and credit ratings of counterparties, collateral requirements or other credit enhancements, such as letters of credit or parent company guarantees, and the use of standardized agreements that allow for the netting or offsetting of positive and negative exposures associated with a single counterparty.

Credit risk also involves the exposure that counterparties perceive related to the ability of Avista Utilities and Avista Energy to perform deliveries and settlement of energy transactions. These counterparties may seek assurance of performance in the form of letters of credit, prepayment or cash deposits and, in the case of Avista Energy, parent company (Avista Capital) performance guarantees. In periods of price volatility, the level of exposure can change significantly, with the result that sudden and significant demands may be made against the Company's capital resource reserves (credit facilities and cash). Avista Utilities and Avista Energy actively monitor the exposure to possible collateral calls and take steps to minimize capital requirements.

Other Operating Risks

In addition to commodity price risk, Avista Utilities' commodity positions are subject to operational and event risks including, among others, increases in load demand, transmission or transport disruptions, fuel quality specifications, changes in regulatory requirements, forced outages at generating plants and disruptions to information systems and other administrative tools required for normal operations. Avista Utilities also has exposure to weather conditions and natural disasters that can cause physical damage to property, requiring repairs to restore utility service. The emergence of terrorism threats, both domestic and foreign, is a risk to the entire utility industry, including Avista Utilities. Potential disruptions to operations or destruction of facilities from terrorism or other malicious acts are not readily determinable. The Company has taken various steps to mitigate terrorism risks and to prepare contingency plans in the event that its facilities are targeted.

NOTE 6. CASH DEPOSITS WITH AND FROM COUNTERPARTIES

Cash deposits from counterparties totaled $97.8 million and $92.7 million as of December 31, 2003 and 2002, respectively, and are disclosed as deposits from counterparties on the Consolidated Balance Sheet. These funds are held by Avista Utilities and Avista Energy to mitigate the potential impact of counterparty default risk. These amounts are subject to return if conditions warrant because of continuing portfolio value fluctuations with those parties or substitution of non-cash collateral.

Cash deposited with counterparties totaled $36.8 million and $35.7 million as of December 31, 2003 and 2002, respectively, and is included in prepayments and other current assets on the Consolidated Balance Sheet.

As is common industry practice, Avista Utilities and Avista Energy maintain margin agreements with certain counterparties. Margin calls are triggered when exposures exceed predetermined contractual limits or when there are changes in a counterparty's creditworthiness. Price movements in electricity and natural gas can generate exposure levels in excess of these contractual limits. From time to time, margin calls are made and/or received by Avista Utilities and Avista Energy. Negotiating for collateral in the form of cash, letters of credit, or parent company performance guarantees is a common industry practice.

NOTE 7. JOINTLY OWNED ELECTRIC FACILITIES

The Company has a 50 percent ownership interest in a combined cycle natural gas-fired turbine power plant, the Coyote Springs 2 Generation Plant (Coyote Springs 2) located in north-central Oregon, which was placed into operation in 2003. The Company's investment in Coyote Springs 2 was held by Avista Power as of December 31, 2002 and was included in non-utility properties and investments-net on the Consolidated Balance Sheet. In January 2003, the Company's ownership interest in the plant was transferred from Avista Power to Avista Corp. to be operated as an asset of Avista Utilities and was included in utility plant in service on the Consolidated Balance Sheet as of December 31, 2003. The Company's share of related fuel costs as well as operating and maintenance expenses for plant in service are included in the corresponding accounts in the Consolidated Statements of Income. The Company's share of utility plant in service for Coyote Springs 2 was $109.0 million and accumulated depreciation was $2.2 million as of December 31, 2003.

The Company has a 15 percent ownership interest in a twin-unit coal-fired generating facility, the Colstrip Generating Project (Colstrip) located in southeastern Montana, and provides financing for its ownership interest in the project. The Company's share of related fuel costs as well as operating and maintenance expenses for plant in service are included in the corresponding accounts in the Consolidated Statements of Income. The Company's share of utility plant in service for Colstrip was $323.6 million and accumulated depreciation was $167.6 million as of December 31, 2003.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

The balances of the major classifications of property, plant and equipment are detailed in the following table as of December 31 (dollars in thousands):

	2003	2002
Avista Utilities:		
Electric production	$ 914,021	$ 740,736
Electric transmission	304,827	295,284
Electric distribution	724,054	698,757
Construction work-in-progress (CWIP) and other	119,552	85,631
Electric total	2,062,454	1,820,408
Natural gas underground storage	18,543	18,285
Natural gas distribution	449,501	430,273
CWIP and other	45,340	44,675
Natural gas total	513,384	493,233
Common plant (including CWIP)	79,789	74,751
Total Avista Utilities	2,655,627	2,388,392
Energy Marketing and Resource Management	30,162	142,428
Avista Advantage	12,847	10,183
Other	23,886	20,611
Total	$2,722,522	$2,561,614

Equipment under capital leases at Avista Utilities totaled $3.9 million and $0.7 million as of December 31, 2003 and 2002, respectively. The associated accumulated depreciation totaled $0.2 million and $0.1 million as of December 31, 2003 and 2002, respectively.

NOTE 9. PENSION PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company has a defined benefit pension plan covering substantially all of its regular full-time employees. Employees of Avista Energy also participate in this plan. Individual benefits under this plan are based upon years of service and the employee's average compensation as specified in the plan. The Company's funding policy is to contribute amounts that are not less than the minimum amounts required to be funded under the Employee Retirement Income Security Act, nor more than the maximum amounts that are currently deductible for income tax purposes. The Company made $12 million in cash contributions to the pension plan in each of 2003 and 2002. The Company expects to contribute approximately $15 million to the pension plan in 2004.

Pension fund assets are invested primarily in marketable debt and equity securities. However, fund assets may also be invested in real estate and other investments, including hedge funds and venture capital funds. In selecting an assumed long-term rate of return on plan assets, the Company considered past performance and economic forecasts for the types of investments held by the plan. The fair value of pension plan assets invested in debt and equity securities was based primarily on outside market prices. The fair value of pension plan assets invested in real estate was determined based on three basic approaches: (1) current cost of reproducing a property less deterioration and functional economic obsolescence (2) capitalization of the property's net earnings power; and (3) value indicated by recent sales of comparable properties in the market. The fair value of plan assets was determined as of December 31, 2003 and 2002.

As of December 31, 2003 and 2002, the Company's pension plan had assets with a fair value that was less than the present value of the accumulated benefit obligation under the plan. In 2003, the pension plan funding deficit was reduced as compared to the end of 2002 and as such the Company reduced the additional minimum liability for the unfunded accumulated benefit obligation by $15.5 million and the intangible asset by $0.6 million (representing the amount of unrecognized prior service cost) related to the pension plan. This resulted in an increase to other comprehensive income of $9.7 million, net of taxes of $5.2 million for 2003. In 2002, the Company recorded an additional minimum liability for the unfunded accumulated benefit obligation of $33.4 million and an intangible asset of $6.4 million (representing the amount of unrecognized prior service cost) related to the pension plan. This resulted in a charge to other comprehensive income of $17.6 million, net of taxes of $9.4 million for 2002.

The Company also has a Supplemental Executive Retirement Plan (SERP) that provides additional pension benefits to executive officers of the Company. The SERP is intended to provide benefits to executive officers whose benefits under the pension plan are reduced due to the application of Section 415 of the Internal Revenue Code of 1986 and the deferral of salary under deferred compensation plans. The Company recorded an additional minimum liability for the unfunded accumulated benefit obligation of $0.3 million, $0.7 million and $1.1 million related to the SERP for 2003, 2002 and 2001, respectively. This resulted in a charge to other comprehensive income of $0.2 million, $0.5 million and $0.7 million, net of taxes, for 2003, 2002 and 2001, respectively.

The Company provides certain health care and life insurance benefits for substantially all of its retired employees. The Company accrues the estimated cost of postretirement benefit obligations during the years that employees provide services. The Company elected to amortize the transition obligation of $34.5 million over a period of twenty years, beginning in 1993.

The Company uses a December 31 measurement date for its pension and postretirement plans. The following table sets forth the pension and postretirement plan disclosures as of December 31, 2003 and 2002 and the components of net periodic benefit costs for the years ended December 31, 2003, 2002 and 2001 (dollars in thousands):

	Pension Benefits		Post-Retirement Benefits	
	2003	2002	2003	2002
Change in benefit obligation:				
Benefit obligation as of beginning of year	$238,385	$210,510	$29,062	$36,355
Service cost	7,806	6,734	482	304
Interest cost	15,705	15,119	2,477	2,184
Plan amendment	-	(2,530)	-	(5,821)
Actuarial loss (gain)	18,046	22,243	10,973	(660)
Benefits paid	(12,648)	(12,229)	(3,741)	(3,091)
Expenses paid	(1,504)	(1,462)	(68)	(209)
Benefit obligation as of end of year	$265,790	$238,385	$39,185	$29,062
Change in plan assets:				
Fair value of plan assets as of beginning of year	$136,125	$153,705	$11,301	$13,969
Actual return on plan assets	33,129	(16,677)	3,282	(1,451)
Employer contributions	12,000	12,000	1,785	-
Benefits paid	(11,788)	(11,441)	(1,713)	(1,008)
Expenses paid	(1,504)	(1,462)	(68)	(209)
Fair value of plan assets as of end of year	$167,962	$136,125	$14,587	$11,301
Funded status	$(97,828)	$(102,260)	$(24,598)	$(17,761)
Unrecognized net actuarial loss	71,695	79,812	9,455	1,425
Unrecognized prior service cost	5,712	6,366	-	-
Unrecognized net transition obligation/(asset)	(1,585)	(2,671)	8,809	9,788
Accrued benefit cost	(22,006)	(18,753)	(6,334)	(6,548)
Additional minimum liability	(20,081)	(35,303)	-	-
Accrued benefit liability	$(42,087)	$(54,056)	$(6,334)	$(6,548)
Accumulated pension benefit obligation	$210,049	$190,181	-	-
Accumulated postretirement benefit obligation:				
For retirees			$26,073	$21,582
For fully eligible employees			$5,427	$3,297
For other participants			$7,685	$4,183

	Pension Benefits 2003	Pension Benefits 2002	Post-Retirement Benefits 2003	Post-Retirement Benefits 2002
Weighted-average asset allocations as of December 31				
Equity securities	64%	65%	59%	51%
Debt securities	25%	32%	41%	38%
Real estate	5%	-	-	-
Other	6%	3%	-	11%
Target asset allocations as of December 31				
Equity securities	54-68%	58-72%		
Debt securities	22-28%	25-35%		
Real estate	3-7%	-		
Other	5-13%	3-5%		
Assumptions as of December 31				
Discount rate	6.25%	6.75%	6.25%	6.75%
Expected long-term return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	5.00%	5.00%		
Medical cost trend pre-age 65 – initial			9.00%	9.00%
Medical cost trend pre-age 65 – ultimate			5.00%	5.00%
Ultimate medical cost trend year pre-age 65			2007	2007
Medical cost trend post-age 65 – initial			10.00%	10.00%
Medical cost trend post-age 65 – ultimate			6.00%	6.00%
Ultimate medical cost trend year post-age 65			2007	2007

	2003	2002	2001	2003	2002	2001
Components of net periodic benefit cost:						
Service cost	$ 7,806	$ 6,734	$5,716	$ 482	$ 304	$ 460
Interest cost	15,705	15,119	14,293	2,477	2,184	2,567
Expected return on plan assets	(10,862)	(12,311)	(15,254)	(842)	(1,064)	(1,311)
Transition (asset)/obligation recognition	(1,086)	(1,086)	(1,086)	979	1,256	1,534
Amortization of prior service cost	653	831	989	-	-	-
Net (gain) loss recognition	3,896	1,021	139	405	-	(52)
Net periodic benefit cost	$16,112	$10,308	$4,797	$3,501	$2,680	$3,198

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 2003 by $3.0 million and the service and interest cost by $0.2 million. A one-percentage-point decrease in the assumed health care cost trend rate for each year would decrease the accumulated postretirement benefit obligation as of December 31, 2003 by $2.6 million and the service and interest cost by $0.2 million.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (2003 Medicare Act) was signed into law. The 2003 Medicare Act expanded Medicare to include, for the first time, coverage for prescription drugs. The Company expects that the 2003 Medicare Act may eventually reduce the costs of postretirement medical benefits. Because of various uncertainties related to the Company's response to the 2003 Medicare Act and the appropriate accounting for this event, the Company has elected to defer financial recognition of this legislation until the FASB issues final accounting guidance.

The Company has a salary deferral 401(k) plan (Employee Investment Plan) that is a defined contribution plan and covers substantially all employees. Employees can make contributions to their respective accounts in the Employee Investment Plan on a pre-tax basis up to the maximum amount permitted by law. The Company matches a portion of the salary deferred by each participant according to the schedule in the Employee Investment Plan. Employer matching contributions of $3.6 million, $3.4 million and $3.5 million were expensed in 2003, 2002 and 2001, respectively.

NOTE 10. ACCOUNTING FOR INCOME TAXES

As of December 31, 2003 and 2002, the Company had net regulatory assets of $131.8 million and $139.1 million, respectively, related to the probable recovery of certain deferred tax liabilities from customers through future rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and tax credit carryforwards.

The total net deferred income tax liability consisted of the following as of December 31 (dollars in thousands):

	2003	2002
Deferred income tax assets:		
Allowance for doubtful accounts	$ 16,201	$ 16,343
Reserves not currently deductible	23,669	15,750
Contributions in aid of construction	8,677	9,709
Deferred compensation	4,904	4,112
Centralia sale regulatory liability	2,336	2,954
Unfunded accumulated benefit obligation	4,645	9,736
Other	5,705	7,172
Total deferred income tax assets	66,137	65,776
Deferred income tax liabilities:		
Differences between book and tax basis of utility plant	404,017	364,827
Power and natural gas deferrals	58,912	58,081
Unrealized energy commodity gains	27,290	34,231
Power exchange contract	41,725	44,533
Demand side management programs	4,459	5,064
Loss on reacquired debt	8,405	8,781
Other	2,673	4,406
Total deferred income tax liabilities	547,481	519,923
Net deferred income tax liability	$481,344	$454,147

Net current deferred income taxes were an $11.5 million asset and a $1.7 million liability as of December 31, 2003 and 2002, respectively. Net non-current deferred tax liabilities were $492.8 million and $452.5 million as of December 31, 2003 and 2002, respectively.

The realization of deferred tax assets is dependent upon the ability to generate taxable income in future periods. The Company evaluated available evidence supporting the realization of its deferred tax assets and determined it is more likely than not that deferred tax assets will be realized.

A reconciliation of federal income taxes derived from statutory federal tax rates (35 percent in 2003, 2002 and 2001) applied to pre-tax income from continuing operations as set forth in the accompanying Consolidated Statements of Income is as follows for the years ended December 31 (dollars in thousands):

	2003	2002	2001
Federal income taxes at statutory rates	$30,094	$26,958	$38,089
Increase (decrease) in tax resulting from:			
Accelerated tax depreciation	4,046	5,166	5,849
State income tax expense	1,283	2,348	(8,870)
Prior year audit adjustments	457	-	(395)
Other-net	(540)	377	5,912
Total income tax expense	$35,340	$34,849	$40,585
Income Tax Expense Consisted of the Following:			
Federal taxes currently provided	$ 6,945	$75,136	$(38,556)
Deferred federal income taxes	28,395	(40,287)	79,141
Total income tax expense	$35,340	$34,849	$40,585
Income Tax Expense by Business Segment:			
Avista Utilities	$26,884	$32,137	$20,177
Energy Marketing and Resource Management	11,457	12,311	32,489
Avista Advantage	(718)	(2,289)	(5,778)
Other	(2,283)	(7,310)	(6,303)
Total income tax expense	$35,340	$34,849	$40,585

NOTE 11. ENERGY PURCHASE CONTRACTS

Avista Utilities has contracts related to the purchase of fuel for thermal generation, natural gas and hydroelectric power. The termination dates of the contracts range from one month to the year 2044. Avista Utilities also has various agreements for the purchase, sale or exchange of electric energy with other utilities, cogenerators, small power producers and government agencies. Total expenses for power purchased, natural gas purchased, fuel for generation and other fuel costs, which are included in resource costs in the Consolidated Statements of Income, were $464.1 million, $382.4 million and $1,054.2 million in 2003, 2002 and 2001, respectively.

The following table details future contractual commitments for power resources (including transmission contracts) and natural gas resources (including transportation contracts) (dollars in thousands):

	2004	2005	2006	2007	2008	Thereafter	Total
Power resources	$156,729	$ 90,379	$ 90,124	$ 92,203	$ 91,788	$439,079	$ 960,302
Natural gas resources	183,207	76,593	49,375	49,872	43,421	355,856	758,324
Total	$339,936	$166,972	$139,499	$142,075	$135,209	$794,935	$1,718,626

All of the energy purchase contracts were entered into as part of Avista Utilities' obligation to serve its retail natural gas and electric customers' energy requirements. As a result, these costs are generally recovered either through base retail rates or adjustments to retail rates as part of the power and natural gas cost deferral and recovery mechanisms.

In addition, Avista Utilities has operational agreements, settlements and other contractual obligations with respect to its generation, transmission and distribution facilities. The expenses associated with these agreements are reflected as operations and maintenance expenses in the Consolidated Statements of Income. The following table details future contractual commitments with respect to these agreements (dollars in thousands):

	2004	2005	2006	2007	2008	Thereafter	Total
Contractual obligations	$12,417	$12,417	$12,417	$12,417	$12,417	$173,870	$235,955

Avista Utilities has fixed contracts with certain Public Utility Districts (PUD) to purchase portions of the output of certain generating facilities. Although Avista Utilities has no investment in the PUD generating facilities, the fixed contracts obligate Avista Utilities to pay certain minimum amounts (based in part on the debt service requirements of the PUD) whether or not the facility is operating. The cost of power obtained under the contracts, including payments made when a facility is not operating, is included in resource costs in the Consolidated Statements of Income. Expenses under these PUD contracts were $8.5 million, $7.8 million and $7.4 million in 2003, 2002 and 2001, respectively.

Information as of December 31, 2003, pertaining to these PUD contracts is summarized in the following table (dollars in thousands):

	Company's Current Share of					
	Output	Kilowatt Capability	Annual Costs (1)	Debt Service Costs (1)	Bonds Outstanding	Expiration Date
Chelan County PUD:						
Rocky Reach Project	2.9%	37,000	$2,222	$1,405	$ 3,441	2011
Douglas County PUD:						
Wells Project	3.5	30,000	1,168	550	4,966	2018
Grant County PUD:						
Priest Rapids Project	6.1	55,000	1,992	798	11,265	2040
Wanapum Project	8.2	75,000	3,139	1,587	15,290	2040
Totals		197,000	$8,521	$4,340	$34,962	

(1) The annual costs will change in proportion to the percentage of output allocated to Avista Utilities in a particular year. Amounts represent the operating costs for the year 2003. Debt service costs are included in annual costs.

The estimated aggregate amounts of required minimum payments (Avista Utilities' share of existing debt service costs) under these PUD contracts are as follows (dollars in thousands):

	2004	2005	2006	2007	2008	Thereafter	Total
Minimum payments	$3,351	$3,665	$2,845	$3,310	$3,172	$22,758	$39,101

In addition, Avista Utilities will be required to pay its proportionate share of the variable operating expenses of these projects.

NOTE 12. LONG-TERM DEBT

The following details the interest rate and maturity dates of long-term debt outstanding as of December 31 (dollars in thousands):

Maturity Year	Description	Interest Rate	2003	2002
2003	Secured Medium-Term Notes	6.25%	$ -	$ 15,000
2005	Secured Medium-Term Notes	6.39%-6.68%	29,500	29,500
2005	WP Funding LP Note	8.36%	54,572 (1)	-
2006	Secured Medium-Term Notes	7.89%-7.90%	30,000	30,000
2007	First Mortgage Bonds	7.75%	150,000	150,000
2008	Secured Medium-Term Notes	6.89%-6.95%	20,000	20,000
2010	Secured Medium-Term Notes	6.67%-6.90%	10,000	10,000
2012	Secured Medium-Term Notes	7.37%	7,000	7,000
2013	First Mortgage Bonds	6.13%	45,000	-
2018	Secured Medium-Term Notes	7.26%-7.45%	27,500	27,500
2023	Secured Medium-Term Notes	7.18%-7.54%	24,500	24,500
	Total secured long-term debt		398,072	313,500
2003	Unsecured Medium-Term Notes	6.75%-9.13%	-	56,250
2004	Unsecured Medium-Term Notes	7.42%	28,500	30,000
2006	Unsecured Medium-Term Notes	8.14%	8,000	8,000
2007	Unsecured Medium-Term Notes	5.99%-7.94%	25,850	26,000
2008	Senior Notes	9.75%	317,683	341,529
2008	Unsecured Medium-Term Notes	6.06%	25,000	25,000
2010	Unsecured Medium-Term Notes	8.02%	25,000	25,000
2012	Unsecured Medium-Term Notes	8.05%	-	12,000
2022	Unsecured Medium-Term Notes	8.15%-8.23%	5,000	10,000
2023	Unsecured Medium-Term Notes	7.99%	5,000	5,000
2023	Pollution Control Bonds	6.00%	4,100	4,100
2028	Unsecured Medium-Term Notes	6.37%-6.88%	25,000	35,000
2032	Pollution Control Bonds	5.00%	66,700	66,700
2034	Pollution Control Bonds	5.13%	17,000	17,000
	Total unsecured long-term debt		552,833	661,579
	Capital lease obligations		5,812	1,613
	Unamortized debt discount		(1,994)	(2,161)
	Total		954,723	974,531
	Current portion of long-term debt		(29,711)	(71,896)
	Total long-term debt		$925,012	$902,635

(1) As discussed in Note 2, represents the long-term debt of WP Funding LP, an entity that was consolidated in 2003 under FIN 46.

The following table details future long-term debt maturities, including long-term debt to affiliated trusts (see Note 13) (dollars in thousands):

Year	2004	2005	2006	2007	2008	Thereafter	Total
Debt maturities	$28,500	$84,072	$38,000	$175,850	$362,683	$375,203	$1,064,308

In addition to the required maturities documented in the table above, the Company has sinking fund requirements of $3.4 million in each of 2004 and 2005, $3.1 million in 2006, $2.8 million in 2007 and $1.3 million in 2008. Under its Mortgage and Deed of Trust, the Company's sinking fund requirements may be met by certification of property additions at the rate of 143 percent of requirements. All of the Company's utility plant is subject to the lien of the Mortgage and Deed of Trust securing outstanding First Mortgage Bonds.

In September 2003, the Company issued $45.0 million of 6.125 percent First Mortgage Bonds due in 2013. The proceeds were used to repay a portion of the borrowings under the $245.0 million line of credit that were used on an interim basis to fund $46.0 million of maturing 9.125 percent Unsecured Medium-Term Notes.

In September 1999, $83.7 million of Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project), Series 1999A due 2032 and Series 1999B due 2034 were issued by the City of Forsyth, Montana. The proceeds of the bonds were utilized to refund the $66.7 million of 7.13 percent First Mortgage Bonds due 2013 and the $17.0 million of 7.40 percent First Mortgage Bonds due 2016. The Series 1999A and Series 1999B Bonds are backed by an insurance policy issued by AMBAC Assurance Corporation. In January 2002, the interest rate on the bonds was fixed for a period of seven years at a rate of 5.00 percent for Series 1999A and 5.13 percent for Series 1999B.

The following table details the Company's debt repurchases prior to scheduled maturity during 2003 (dollars in thousands):

Repurchase Date	Description	Interest Rate	Maturity Year	Principal Amount
January 2003	Unsecured Senior Notes	9.75%	2008	$10,000
February 2003	Unsecured Senior Notes	9.75%	2008	505
March 2003	Unsecured Medium-Term Notes	8.23%	2022	5,000
April 2003	Unsecured Medium-Term Notes	6.88%	2028	10,000
May 2003	Unsecured Medium-Term Notes	5.99%	2007	150
June 2003	Unsecured Medium-Term Notes	7.42%	2004	1,500
July 2003	Unsecured Medium-Term Notes	8.05%	2012	12,000
July 2003	Unsecured Senior Notes	9.75%	2008	3,000
August 2003	Unsecured Senior Notes	9.75%	2008	10,330
	Total debt repurchases			$52,485

In accordance with regulatory accounting practices, the total net premium on the repurchase of debt of $1.7 million will be amortized over the average remaining maturity of outstanding debt.

As of December 31, 2003, the Company had remaining authorization to issue up to $176.0 million of Unsecured Medium-Term Notes. The Company also has $105.0 million of either secured or unsecured debt remaining under a registration statement filed on Form S-3 with the Securities and Exchange Commission in June 2003.

The Mortgage and Deed of Trust securing the Company's First Mortgage Bonds contains limitations on the amount of First Mortgage Bonds, which may be issued based on, among other things, a 70 percent debt-to-collateral ratio, and/or retired First Mortgage Bonds, and a 2.00 to 1 net earnings to First Mortgage Bond interest ratio. Under various financing agreements, the Company is also restricted as to the amount of additional First Mortgage Bonds that it can issue. As of December 31, 2003, the Company could issue $93.1 million of additional First Mortgage Bonds under the most restrictive of these financing agreements.

NOTE 13. LONG-TERM DEBT TO AFFILIATED TRUSTS

In 1997, the Company issued 7.875 percent Junior Subordinated Deferrable Interest Debentures, Series A, with a principal amount of $61.9 million to Avista Capital I, a business trust. Avista Capital I issued $60.0 million of Preferred Trust Securities with an annual distribution rate of 7.875 percent. Concurrent with the issuance of the Preferred Trust Securities, Avista Capital I issued $1.9 million of Common Trust Securities to the Company. These debt securities may be redeemed at the option of Avista Capital I on or after January 15, 2002 and mature January 15, 2037; however, this is limited by an agreement under the Company's 9.75 percent Senior Notes that mature in 2008.

In 1997, the Company issued Floating Rate Junior Subordinated Deferrable Interest Debentures, Series B, with a principal amount of $51.5 million to Avista Capital II, a business trust. Avista Capital II issued $50.0 million of Preferred Trust Securities with a floating distribution rate of LIBOR plus 0.875 percent, calculated and reset quarterly. The annual distribution rate paid during 2003 ranged from 2.02 percent to 2.30 percent. As of December 31, 2003, the annual distribution rate was 2.02 percent. Concurrent with the issuance of the Preferred Trust Securities, Avista Capital II issued $1.5 million of Common Trust Securities to the Company. These debt securities may be redeemed at the option of Avista Capital II on or after June 1, 2007 and mature June 1, 2037; however, this is limited by an agreement under the Company's 9.75 percent Senior Notes that mature in 2008. In December 2000, the Company purchased $10.0 million of these Preferred Trust Securities.

The Company has guaranteed the payment of distributions on, and redemption price and liquidation amount with respect to, the Preferred Trust Securities to the extent that Avista Capital I and Avista Capital II have funds available for such payments from the respective debt securities. Upon maturity or prior redemption of such debt securities, the Trust Securities will be mandatorily redeemed. As discussed in Note 2, FIN 46 results in the Company no longer including Avista Capital I and Avista Capital II in its consolidated financial statements as of December 31, 2003.

NOTE 14. SHORT-TERM BORROWINGS

On May 13, 2003, the Company amended its committed line of credit with various banks to increase the amount to $245.0 million from $225.0 million and extend the expiration date to May 11, 2004. The Company can request the issuance of up to $75.0 million in letters of credit under the amended committed line of credit. As of December 31, 2003 and 2002, the Company had $80.0 million and $30.0 million, respectively, of borrowings outstanding under this committed line of credit. As of December 31, 2003 and 2002, there were $10.7 million and $14.3 million in letters of credit outstanding, respectively. The committed line of credit is secured by $245.0 million of non-transferable first mortgage bonds of the Company issued to the agent bank. Such first mortgage bonds would only become due and payable in the event, and then only to the extent, that the Company defaults on its obligations under the committed line of credit.

The committed line of credit agreement contains customary covenants and default provisions, including covenants not to permit the ratio of "consolidated total debt" (not including preferred stock, long-term debt to affiliated trusts or WP Funding LP debt) to "consolidated total capitalization" of Avista Corp. to be greater than 65 percent at the end of any fiscal quarter. As of December 31, 2003, the Company was in compliance with this covenant with a ratio of 52.6 percent. The committed line of credit also has a covenant requiring the ratio of "earnings before interest, taxes, depreciation and amortization" to "interest expense" of Avista Utilities for the twelve-month period ending December 31, 2003 to be greater than 1.6 to 1. As of December 31, 2003, the Company was in compliance with this covenant with a ratio of 2.3 to 1. The covenant calculations exclude the effect of changes in accounting standards.

The Company had a commercial paper program that also provided for fixed-term loans during 2001. None of these arrangements were in place as of December 31, 2003 and 2002.

Balances and interest rates of bank borrowings under these arrangements were as follows as of and for the years ended December 31 (dollars in thousands):

	2003	2002	2001
Balance outstanding at end of period:			
Commercial paper	$ -	$ -	$ -
Revolving credit agreement	80,000	30,000	55,000
Maximum balance outstanding during the period:			
Commercial paper	$ -	$ -	$ 11,160
Revolving credit agreement	85,000	90,000	223,000
Average balance outstanding during the period:			
Commercial paper	$ -	$ -	$ 558
Revolving credit agreement	26,304	47,027	108,996
Average interest rate during the period:			
Commercial paper	-%	-%	7.80%
Revolving credit agreement	2.99	3.59	5.95
Average interest rate at end of period:			
Commercial paper	-%	-%	-%
Revolving credit agreement	3.70	3.39	5.42

NOTE 15. INTEREST RATE SWAP AGREEMENTS

On May 7, 2003, Avista Corp. terminated an interest rate swap agreement that was entered into on July 17, 2002. This interest rate swap agreement effectively changed the interest rate on $25 million of Unsecured Senior Notes from a fixed rate of 9.75 percent to a variable rate based on LIBOR. With the termination of the interest rate swap agreement, Avista Corp. received $1.5 million, which was recorded as a deferred credit (as part of long-term debt) and will be amortized over the remaining term of the original agreement (through June 1, 2008).

NOTE 16. LEASES

The Company has multiple lease arrangements involving various assets, with minimum terms ranging from one to twenty-five years. The Company's most significant leased asset is the corporate office building. Certain lease arrangements require the Company, upon the occurrence of specified events, to purchase the leased assets. The Company's management believes the likelihood of the occurrence of the specified events under which the Company could be required to purchase the leased assets is remote. Rental expense under operating leases for 2003, 2002 and 2001 was $14.2 million, $21.7 million and $19.8 million, respectively.

Future minimum lease payments required under operating leases having initial or remaining noncancelable lease terms in excess of one year as of December 31, 2003 were as follows (dollars in thousands):

Year ending December 31:	2004	2005	2006	2007	2008	Thereafter	Total
Minimum payments required	$7,479	$3,405	$2,835	$2,651	$2,655	$6,939	$25,964

The payments under the Avista Corp. capital leases are $0.8 million in each of 2004, 2005 and 2006, $0.7 million in 2007 and $0.6 million in 2008.

NOTE 17. GUARANTEES

The Company has guaranteed the payment of distributions on, and redemption price and liquidation amount with respect to, the Preferred Trust Securities issued by its affiliates, Avista Capital I and Avista Capital II, to the extent that these entities have funds available for such payments from the respective debt securities.

Avista Power, through its equity investment in RP LLC, is a 49 percent owner of the Lancaster Project, which commenced commercial operation in September 2001. Commencing with commercial operations, all of the output from the Lancaster Project is contracted to Avista Energy through 2026 years under a Power Purchase Agreement. Avista Corp. has guaranteed the Power Purchase Agreement with respect to the performance of Avista Energy.

NOTE 18. PREFERRED STOCK-CUMULATIVE

In March 2003, the Company repurchased 17,500 shares of preferred stock for $1.6 million, satisfying its redemption requirement for 2003. In September 2002, the Company made a mandatory redemption of 17,500 shares of preferred stock for $1.75 million. On September 15, 2004, 2005 and 2006, the Company must redeem 17,500 shares at $100 per share plus accumulated dividends through a mandatory sinking fund. As such, redemption requirements are $1.75 million in each of the years 2004 through 2006. The remaining shares must be redeemed on September 15, 2007. The Company has the right to redeem an additional 17,500 shares on each September 15 redemption date; however, this right is limited by an agreement under the Company's 9.75 percent Senior Notes that mature in 2008. Upon involuntary liquidation, all preferred stock will be entitled to $100 per share plus accrued dividends.

As discussed in Note 2, the Company adopted SFAS No. 150 effective July 1, 2003. The adoption of this statement requires the Company to classify preferred stock subject to mandatory redemption as liabilities and preferred stock dividends as interest expense. The restatement of prior periods was not permitted.

NOTE 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, restricted cash, accounts and notes receivable, accounts payable and short-term borrowings are reasonable estimates of their fair values. Energy commodity assets and liabilities as well as securities held for trading are reported at estimated fair value on the Consolidated Balance Sheet.

The fair value of the Company's long-term debt (including current-portion, but excluding capital leases) as of December 31, 2003 and 2002 was estimated to be $1,067.3 million, or 112 percent of the carrying value of $950.9 million, and $1,001.2 million, or 103 percent of the carrying value of $975.1 million, respectively. The fair value of the Company's mandatorily redeemable preferred stock as of December 31, 2003 and 2002 was estimated to be $29.9 million, or 95 percent of the carrying value of $31.5 million, and $29.3 million, or 88 percent of the carrying value of $33.3 million, respectively. The fair value of the Company's long-term debt to affiliated trusts as of December 31, 2003 was estimated to be $99.5 million, or 90 percent of the carrying value of $110.0 million. The carrying value as of December 31, 2003 does not include $3.4 million of debt that is considered common equity by the affiliated trusts. The fair value of the Company's preferred trust securities as of December 31, 2002 was estimated to be $89.6 million, or 90 percent of the carrying value of $100.0 million. These estimates were primarily based on available market information.

NOTE 20. COMMON STOCK

In April 1990, the Company sold 1,000,000 shares of its common stock to the Trustee of the Investment and Employee Stock Ownership Plan for Employees of the Company (Plan) for the benefit of the participants and beneficiaries of the Plan. In payment for the shares of common stock, the Trustee issued a promissory note payable to the Company in the amount of $14.1 million. Dividends paid on the stock held by the Trustee, plus Company contributions to the Plan, if any, are used by the Trustee to make interest and principal payments on the promissory note. The balance of the promissory note receivable from the Trustee ($2.4 million as of December 31, 2003) is reflected as a reduction to common equity. The shares of common stock are allocated to the accounts of participants in the Plan as the note is repaid. During 2003, the cost recorded for the Plan was $6.9 million. Interest on the note payable to the Company, cash and stock contributions to the Plan and dividends on the shares held by the Trustee was $0.3 million, $1.7 million and $0.1 million, respectively during 2003.

In November 1999, the Company adopted a shareholder rights plan pursuant to which holders of common stock outstanding on February 15, 1999, or issued thereafter, were granted one preferred share purchase right (Right) on each outstanding share of common stock. Each Right, initially evidenced by and traded with the shares of common stock, entitles the registered holder to purchase one one-hundredth of a share of preferred stock of the Company, without par value, at a purchase price of $70, subject to certain adjustments, regulatory approval and other specified conditions. The Rights will be exercisable only if a person or group acquires 10 percent or more of the outstanding shares of common stock or commences a tender or exchange offer, the consummation of which would result in the beneficial ownership by a person or group of 10 percent or more of the outstanding shares of common stock. Upon any such acquisition, each Right will entitle its holder to purchase, at the purchase price, that number of shares of common stock or preferred stock of the Company (or, in the case of a merger of the Company into another person or group, common stock of the acquiring person or group) that has a market value at that time equal to twice the purchase price. In no event will the Rights be exercisable by a person that has acquired 10 percent or more of the Company's common stock. The Rights may be redeemed, at a redemption price of $0.01 per Right, by the Board of Directors of the Company at any time until any person or group has acquired 10 percent or more of the common stock. The Rights expire on March 31, 2009. This plan replaced a similar shareholder rights plan that expired in February 2000.

The Company has a Dividend Reinvestment and Stock Purchase Plan under which the Company's shareholders may automatically reinvest their dividends and make optional cash payments for the purchase of the Company's common stock at current market value.

From March 2000 through May 2003, the Company issued shares of its common stock to the Employee Investment Plan rather than having the Plan purchase shares of common stock on the open market. In the fourth quarter of 2000, the Company also began issuing new shares of common stock for the Dividend Reinvestment and Stock Purchase Plan. During 2003, 2002 and 2001, a total of 299,801, 408,800 and 332,861 shares of common stock were issued, respectively, to these plans.

NOTE 21. EARNINGS PER COMMON SHARE

The following table presents the computation of basic and diluted earnings per common share for the years ended December 31 (in thousands, except per share amounts):

	2003	2002	2001
Numerator:			
Income from continuing operations	$50,643	$42,174	$68,241
Loss from discontinued operations	(4,949)	(6,719)	(56,085)
Net income before cumulative effect of accounting change	45,694	35,455	12,156
Cumulative effect of accounting change	(1,190)	(4,148)	-
Net income	44,504	31,307	12,156
Deduct: Preferred stock dividend requirements	1,125	2,402	2,432
Income available for common stock	$43,379	$28,905	$ 9,724
Denominator:			
Weighted-average number of common shares outstanding-basic	48,232	47,823	47,417
Effect of dilutive securities:			
Restricted stock	-	2	5
Contingent stock	244	-	-
Stock options	154	49	13
Weighted-average number of common shares outstanding-diluted	48,630	47,874	47,435
Earnings per common share, basic:			
Earnings per common share from continuing operations	$1.03	$0.83	$1.39
Loss per common share from discontinued operations	(0.10)	(0.14)	(1.18)
Earnings per common share before cumulative effect of accounting change	0.93	0.69	0.21
Loss per common share from cumulative effect of accounting change	(0.03)	(0.09)	-
Total earnings per common share, basic	$0.90	$0.60	$0.21
Earnings per common share, diluted:			
Earnings per common share from continuing operations	$1.02	$0.83	$1.38
Loss per common share from discontinued operations	(0.10)	(0.14)	(1.18)
Earnings per common share before cumulative effect of accounting change	0.92	0.69	0.20
Loss per common share from cumulative effect of accounting change	(0.03)	(0.09)	-
Total earnings per common share, diluted	$0.89	$0.60	$0.20

NOTE 22. STOCK COMPENSATION PLANS

Avista Corp.

In 1998, the Company adopted and shareholders approved an incentive compensation plan, the Long-Term Incentive Plan (1998 Plan). Under the 1998 Plan, certain key employees, directors and officers of the Company and its subsidiaries may be granted stock options, stock appreciation rights, stock awards (including restricted stock) and other stock-based awards and dividend equivalent rights. The Company has available a maximum of 2.5 million shares of its common stock for grant under the 1998 Plan. Beginning in 2000, non-employee directors began receiving options under this plan.

In 2000, the Company adopted a Non-Officer Employee Long-Term Incentive Plan (2000 Plan), which was not required to be approved by shareholders. The provisions of the 2000 Plan are essentially the same as those under the 1998 Plan, except for the exclusion of directors and executive officers of the Company. The Company has available a maximum of 2.5 million shares of its common stock for grant under the 2000 Plan.

The Board of Directors has determined that it is no longer in the Company's best interest to issue stock options under the 1998 Plan and the 2000 Plan. Other forms of compensation are in place including the issuance of performance shares to certain officers and other key employees under the 1998 Plan and the 2000 Plan.

The Company accounts for stock based compensation using APB No. 25, "Accounting for Stock Issued to Employees," which requires the recognition of compensation expense on the excess, if any, of the market price of the stock at the date of grant over the exercise price of the option. As the exercise price for options granted under the 1998 Plan and the 2000 Plan was equal to the market price at the date of grant, there was no compensation expense recorded by the Company. SFAS No. 123, "Accounting for Stock-Based Compensation," requires the disclosure of pro forma net income and earnings per common share had the Company adopted the fair value method of accounting for stock options. Under this statement, the fair value of stock-based awards is calculated with option pricing models. These models require the use of subjective assumptions, including stock price volatility, dividend yield, risk-free interest rate and expected time to exercise. The fair value of options is estimated on the date of grant using the Black-Scholes option-pricing model. See Note 1 for disclosure of pro forma net income and earnings per common share.

In 2003, the Company granted 162,600 performance shares to certain officers and other key employees under the 1998 Plan and the 2000 Plan. The performance shares will be payable at the Company's option in either cash or common stock three years from the date of grant. The amount of cash paid or common stock issued will range from 0 to 150 percent of the performance shares granted depending on the change in the value of the Company's common stock relative to an external benchmark.

Shares of common stock issued from the exercise of stock options under the 1998 Plan and the 2000 Plan are acquired by the Company on the open market. As of December 31, 2003, there were 2.2 million shares available for future stock grants under the 1998 Plan and the 2000 Plan.

The following summarizes stock options activity under the 1998 Plan and the 2000 Plan for the years ended December 31:

	2003	2002	2001
Number of shares under stock options:			
Options outstanding at beginning of year	2,684,350	2,440,475	1,843,900
Options granted	24,000	569,800	781,900
Options exercised	(37,439)	-	(2,750)
Options canceled	(189,025)	(325,925)	(182,575)
Options outstanding at end of year	2,481,886	2,684,350	2,440,475
Options exercisable at end of year	1,615,455	1,192,775	883,075
Weighted average exercise price:			
Options granted	$12.41	$10.51	$12.43
Options exercised	$11.43	-	$17.96
Options canceled	$17.78	$19.88	$19.22
Options outstanding at end of year	$15.57	$15.69	$17.49
Options exercisable at end of year	$17.18	$18.28	$19.28
Weighted average fair value of options granted during the year	$ 4.30	$ 3.43	$ 5.54
Principal assumptions used in applying the Black-Scholes model:			
Risk-free interest rate	3.17%	3.25%-4.96%	4.05%-5.13%
Expected life, in years	7	7	7
Expected volatility	37.10%	47.13%	60.80%
Expected dividend yield	3.87%	4.61%	3.93%

Information with respect to options outstanding and options exercisable as of December 31, 2003 was as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Number of Shares	Weighted Average Exercise Price
\$8.77-\$11.68	523,161	\$10.25	8.8	131,605	\$10.25
\$11.69-\$14.61	652,525	11.82	7.9	312,825	11.80
\$14.62-\$17.53	540,400	17.14	6.1	504,900	17.20
\$17.54-\$20.45	289,800	18.73	5.1	288,750	18.72
\$20.46-\$23.38	449,800	22.56	6.7	353,975	22.56
\$26.30-\$28.47	26,200	27.39	6.2	23,400	27.26
Total	2,481,886	\$15.57	7.2	1,615,455	\$17.18

Non-Employee Director Stock Plan

In 1996, the Company adopted and shareholders approved the Non-Employee Director Stock Plan (1996 Director Plan). Under the 1996 Director Plan, directors who are not employees of the Company receive two-thirds of their annual retainer in Avista Corp. common stock. The Company acquires the common stock on the open market. The Company has available a maximum of 150,000 shares of its common stock under the 1996 Director Plan and there were 65,553 shares available for future compensation to non-employee directors as of December 31, 2003.

NOTE 23. COMMITMENTS AND CONTINGENCIES

The Company believes, based on the information presently known, that the ultimate liability for the matters discussed in this note, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the consolidated financial condition of the Company, but could be material to results of operations or cash flows for a particular quarter or annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular issue.

Federal Energy Regulatory Commission Inquiry

In February 2002, the Federal Energy Regulatory Commission (FERC) issued an order commencing a fact-finding investigation of potential manipulation of electric and natural gas prices in the California energy markets by multiple companies. On May 8, 2002, the FERC requested data and information with respect to certain trading strategies in which the companies may have engaged. Specifically, the requests inquired as to whether or not the Company engaged in certain trading strategies that were the same or similar to those used by Enron Corporation (Enron) and its affiliates. These requests were made to all sellers of wholesale electricity and/or ancillary services in power markets in the western United States during 2000 and 2001, including Avista Corp. and Avista Energy. On May 22, 2002, Avista Corp. and Avista Energy filed their responses to this request indicating that both companies had engaged in sound business practices in accordance with established market rules, and that no information was evident from business records or employee interviews that would indicate that Avista Corp. or Avista Energy, or its employees, were knowingly engaged in these trading strategies, or any variant of the strategies.

On June 4, 2002, the FERC issued an additional order to Avista Corp. and three other companies requiring these companies to show cause within ten days as to why their authority to charge market-based rates should not be revoked. In this order, the FERC alleged that Avista Corp. failed to respond fully and accurately to the data request made on May 8, 2002. On June 14, 2002, Avista Corp. provided additional information in response to the June 4, 2002 FERC order to establish that its initial response was appropriate and adequate.

On August 13, 2002, the FERC issued an order to initiate an investigation into possible misconduct by Avista Corp. and Avista Energy and two affiliates of Enron: Enron Power Marketing, Inc. (EPMI) and Portland General Electric Corporation (PGE). The purpose of the investigation was to determine whether Avista Corp. and Avista Energy engaged in or facilitated certain Enron trading strategies, whether Avista Corp.'s or Avista Energy's role in transactions with EPMI and PGE resulted in the circumvention of a code of conduct governing transactions with affiliates, and the imposition of any appropriate remedies such as refunds and revocation of market-based rates. The investigation also explored whether the companies provided all relevant information in response to the May 8, 2002 data request.

In December 2002, as a result of the investigation, the FERC trial staff, Avista Corp. and Avista Energy filed a joint motion announcing that the parties had reached an agreement in principle and requested that the procedural schedule be suspended. In the joint motion, the FERC trial staff stated that its investigation found no evidence that: (1) any executives or employees of Avista Utilities or Avista Energy knowingly engaged in or facilitated any improper trading strategy; (2) Avista Utilities or Avista Energy engaged in any efforts to manipulate the western energy markets during 2000 and 2001; and (3) Avista Utilities or Avista Energy withheld relevant information from the FERC's inquiry into the western energy markets for 2000 and 2001. In December 2002, the FERC's administrative law judge approved the joint motion, suspending the procedural schedule in the FERC investigation regarding Avista Corp. and Avista Energy. In January 2003, the FERC trial staff, Avista Corp. and Avista Energy filed a completed agreement in resolution of the proceeding with the administrative law judge. The parties requested that the administrative law judge certify the agreement and forward it to the FERC commissioners for acceptance following a 30-day comment period.

In February 2003, the City of Tacoma (Tacoma) and California Parties (the Office of the Attorney General, the California Public Utilities Commission (CPUC), and the California Electricity Oversight Board, filing jointly) filed comments in opposition to the agreement in resolution between the FERC trial staff, Avista Corp. and Avista Energy. PGE filed comments supporting the agreement in resolution, but took exception to how certain transactions were reported. On March 3, 2003, Avista Corp. and Avista Energy filed joint reply comments in response to Tacoma, the California Parties, and PGE. The FERC trial staff filed separate reply comments supporting the agreement in resolution and responding to Tacoma, the California Parties and PGE. The reply comments of Avista Corp., Avista Energy and the FERC trial staff also reiterated the request that the administrative law judge certify the agreement in resolution and forward it to the FERC commissioners for approval.

On March 26, 2003, the FERC policy staff issued its final report on their investigation of western energy markets. In the report, the FERC policy staff recommended the issuance of "show cause" orders to dozens of companies to respond to allegations of possible misconduct in the western energy markets during 2000 and 2001. Of the companies named in the March 26, 2003 report, Avista Corp. and Avista Energy were among the few that had already been the subjects of a FERC investigation.

At an April 9, 2003 prehearing conference relating to the ongoing investigation of Avista Corp. and Avista Energy, Avista Corp. proposed that the decision to certify the agreement between Avista Corp., Avista Energy and the FERC trial staff be delayed to further address certain issues and to allow for potential uncertainty to be removed with respect to the final resolution of the case. The FERC's administrative law judge agreed and ordered a further prehearing conference to clarify certain issues raised in the March 26, 2003 FERC policy staff report on western energy markets.

On May 15, 2003, the FERC's trial staff submitted supplementary information explaining its conclusions and addressing three narrowly focused issues related to the March 26, 2003 FERC policy staff report on western energy markets. The FERC's administrative law judge held a further prehearing conference on May 20, 2003, at which time the FERC trial staff reviewed its findings and conclusions, and reiterated their recommendation to certify the agreement in resolution as supplemented. On May 27, 2003, Tacoma and the California Parties reiterated their objections to the proposed agreement in resolution. Avista Corp., Avista Energy and the FERC trial staff each filed reply comments to Tacoma and the California Parties on June 3, 2003, reiterating their recommendations to the FERC's administrative law judge for certification of the agreement in resolution.

On June 25, 2003, the FERC's administrative law judge issued an order denying the request to certify the agreement in resolution and to forward it to the FERC commissioners for final approval. In the June 25, 2003 order, the FERC's administrative law judge reinstated a procedural schedule that called for further testimony and hearings in the case.

On July 10, 2003, Avista Corp. and Avista Energy filed an appeal to the June 25, 2003 order. In the appeal, Avista Corp. and Avista Energy asserted that the FERC's administrative law judge did not have the opportunity to consider how other orders, which were also issued on June 25, 2003 by the FERC with respect to western energy markets and Enron, would impact the case. Those orders provided additional guidance with respect to defining improper trading activities with the effect of further validating the findings of the FERC trial staff's investigation of Avista Corp. and Avista Energy. On July 10, 2003, the FERC trial staff also filed a motion with the FERC's administrative law judge asking for clarification and reconsideration of the June 25, 2003 order. The FERC's trial staff requested that the agreement in resolution be certified and forwarded to the FERC commissioners for final approval without the need for a further hearing. On July 17, 2003, Avista Corp. and Avista Energy filed an answer to this motion with the FERC, which supported the FERC trial staff's position.

On July 24, 2003, the FERC's administrative law judge issued an order, which granted the FERC trial staff's July 10, 2003 motion for reconsideration. In the order, the judge found that there were no unresolved issues of material fact and that the record was sufficient for the FERC to make a determination on the merits of the settlement. The judge certified the agreement in resolution and forwarded it to the FERC commissioners for final approval. In reaching this conclusion, the FERC's administrative law judge considered the July 10, 2003 appeal by Avista Corp. and Avista Energy. However, this appeal was denied as moot in view of granting the FERC trial staff motion for reconsideration. The certification stated that "the Chief Judge further finds that the proposed settlement disposes of all issues set for hearing in this proceeding, that it is just, reasonable, and in the public interest."

On August 8, 2003, the California Parties filed a motion with the FERC and the chief administrative law judge requesting that the judge reconsider his July 24, 2003 order granting reconsideration and canceling the procedural schedule, as well as the judge's certification of the agreement in resolution. In response to the filing, the chief administrative law judge stated that he certified the agreement in resolution and forwarded it to the FERC commissioners for their consideration. The chief administrative law judge indicated that he would advise the Secretary of the FERC that the California Parties' motion be referred to the FERC commissioners for consideration. On August 22, 2003, Avista Corp. and Avista Energy filed a response to the August 8, 2003 motion of the California Parties. The response reiterated, among other things, that the agreement in resolution is strongly supported by the extensive investigation conducted by the FERC trial staff, and should be approved by the FERC commissioners.

Final approval of the agreement in resolution has remained pending before the FERC since July 2003.

U.S. Commodity Futures Trading Commission (CFTC) Subpoena

Beginning in June 2002, the CFTC issued several subpoenas directing Avista Corp. and Avista Energy to produce certain materials and make employees available to be interviewed. The inquiries related to whether electricity and natural gas trades by Avista Corp. and Avista Energy involved "round trip trades," "wash trades," or "sell/buyback trades" and whether Avista Corp. and Avista Energy properly reported trading prices to publishers of power and natural gas indices. Avista Corp. and Avista Energy cooperated with the CFTC and provided the information requested by the CFTC. While the CFTC always reserves the right to reopen its investigation, the CFTC provided written notification to Avista Corp. and Avista Energy on January 29, 2004 that it has determined to close the investigation.

Class Action Securities Litigation

On September 27, 2002, Ronald R. Wambolt filed a class action lawsuit in the United States District Court for the Eastern District of Washington against Avista Corp., Thomas M. Matthews, the former Chairman of the Board, President and Chief Executive Officer of the Company, Gary G. Ely, the current Chairman of the Board, President and Chief Executive Officer of the Company, and Jon E. Eliassen, the former Senior Vice President and Chief Financial Officer of the Company. In October and November 2002, Gail West, Michael Atlas and Peter Arnone filed similar class action lawsuits in the same court against the same parties. On February 3, 2003, the court issued an order consolidating the complaints under the name "In re Avista Corp. Securities Litigation," and on February 7, 2003 appointed the lead plaintiff and co-lead counsel. On August 19, 2003, the plaintiffs filed their consolidated amended class action complaint in the same court against the same parties. In their complaint, the plaintiffs continue to assert violations of the federal securities laws in connection with alleged misstatements and omissions of material fact pursuant to Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The plaintiffs allege that the Company did not have adequate risk management processes, procedures and controls. The plaintiffs further allege that the Company engaged in unlawful energy trading practices and allegedly manipulated western power markets. The plaintiffs assert that alleged misstatements and omissions have occurred in the Company's filings with the Securities and Exchange Commission and other information made publicly available by the Company, including press releases. The class action complaint asserts claims on behalf of all persons who purchased, converted, exchanged or otherwise acquired the Company's common stock during the period between November 23, 1999 and August 13, 2002. The Company filed a motion to dismiss this complaint in October 2003 and the plaintiffs filed an answer to this motion in January 2004. Arguments before the Court on the motion are scheduled to be held on March 19, 2004. The Company intends to vigorously defend against this lawsuit.

California Energy Markets

In March 2002, the Attorney General of the State of California (California AG) filed a complaint with the FERC against certain specific companies (not including Avista Corp. or its subsidiaries) and "all other public utility sellers" in California. The complaint alleges that sellers with market-based rates have violated their tariffs by not filing with the FERC transaction-specific information about all of their sales and purchases at market-based rates. As a result, the California AG contends that all past sales should be subject to refund if found to be above just and reasonable levels. In May 2002, the FERC issued an order denying the claim to issue refunds. In July 2002, the California AG requested a rehearing on the FERC order, which request was denied in September 2002. The California AG filed a Petition for Review of the FERC's decision with the United States Court of Appeals for the Ninth Circuit and awaits decision.

Port of Seattle Complaint

On May 21, 2003, the Port of Seattle filed a complaint in the United States District Court for the Western District of Washington against numerous companies, including Avista Corp., Avista Energy and Avista Power. The complaint seeks compensatory and treble damages for alleged violations of the Sherman Act and the Racketeer Influenced and Corrupt Organization Act by transmitting, via wire communications, false information intended to increase the price of power, knowing that others would rely upon such information. The complaint alleges that the defendants and others knowingly devised and attempted to devise a scheme to defraud and to obtain money and property from electricity customers throughout the WECC, by means of false and fraudulent pretenses, representations and promises. The alleged purpose of the scheme was to artificially increase the price that the defendants received for their electricity and ancillary services, to receive payments for services they did not provide and to manipulate the price of electricity throughout the WECC. In August 2003, the Company filed a motion to dismiss this complaint. A transfer order has been granted, which moves this case to the United States District Court for the Southern District of California to consolidate it with other pending actions. Arguments with respect to the motions to dismiss filed by the Company and other defendants are scheduled for March 26, 2004.

State of Montana Proceedings

On June 30, 2003, the Attorney General of the State of Montana (Montana AG) filed a complaint in the Montana District Court on behalf of the people of Montana and the Flathead Electric Cooperative, Inc. against numerous companies, including Avista Corp. The complaint alleges that the companies illegally manipulated western electric and natural gas markets in 2000 and 2001. This case was subsequently moved to the United States District Court for the District of Montana; however, it has since been remanded back to the Montana District Court.

The Montana AG also petitioned the Montana Public Service Commission (MPSC) to fine public utilities $1,000 a day for each day it finds they engaged in alleged "deceptive, fraudulent, anticompetitive or abusive practices" and order refunds when consumers were forced to pay more than just and reasonable rates. On February 12, 2004, the MPSC issued an order initiating investigation of the Montana retail electricity market for the purpose of determining whether there is evidence of unlawful manipulation of that market.

Montana Public School Trust Fund Lawsuit

On October 20, 2003, Richard Dolan and Denise Hayman filed a lawsuit in the United States District Court for the District of Montana against all private owners of hydroelectric dams in Montana, including Avista Corp. The lawsuit alleges that the hydroelectric facilities are located on state-owned riverbeds and the owners have never paid compensation to the state's public school trust fund. The lawsuit requests lease payments dating back to the construction of the respective dams and also requests damages for trespassing and unjust enrichment. An Amended Complaint adding Great Falls Elementary School District No. 1 and Great Falls High School District 1A was filed on January 16, 2004. On February 2, 2004, the Company filed its motion to dismiss this lawsuit; PacifiCorp and PPL Montana, as the other named defendants also filed a motion to dismiss, or joined therein.

Colstrip Generating Project Complaint

In May 2003, various parties (all of which are residents or businesses of Colstrip, Montana) filed a consolidated complaint against the owners of the Colstrip Generating Project (Colstrip) in Montana District Court. Avista Corp. owns a 15 percent interest in units 3 and

4 of Colstrip, which is located in southeastern Montana. The plaintiffs allege damages to buildings as a result of rising ground water, as well as damages from contaminated waters leaking from the lakes and ponds of Colstrip. The plaintiffs are seeking punitive damages, an order by the court to remove the lakes and ponds and the forfeiture of all profits earned from the generation of Colstrip. The Company intends to work with the other owners of Colstrip in defense of this complaint.

Hamilton Street Bridge Site

A portion of the Hamilton Street Bridge Site in Spokane, Washington (including a former coal gasification plant site that operated for approximately 60 years until 1948) was acquired by the Company through a merger in 1958. The Company no longer owns the property. In January 1999, the Company received notice from the State of Washington's Department of Ecology (DOE) that it had been designated as a potentially liable party (PLP) with respect to any hazardous substances located on this site, stemming from the Company's past ownership of the former gas plant site. In its notice, the DOE stated that it intended to complete an on-going remedial investigation of this site, complete a feasibility study to determine the most effective means of halting or controlling future releases of substances from the site, and to implement appropriate remedial measures. The Company responded to the DOE acknowledging its listing as a PLP, but requested that additional parties also be listed as PLPs. In the spring of 1999, the DOE named two other parties as additional PLPs.

The DOE, the Company and another PLP, Burlington Northern & Santa Fe Railway Co. (BNSF) signed an Agreed Order in March 2000 that provided for the completion of a remedial investigation and a feasibility study. The work to be performed under the Agreed Order includes three major technical parts: completion of the remedial investigation; performance of a focused feasibility study; and implementation of an interim groundwater monitoring plan. During the second quarter of 2000, the Company received comments from the DOE on its initial remedial investigation, and then submitted another draft of the remedial investigation, which was accepted as final by the DOE. After responding to comments from the DOE, the feasibility study was accepted by the DOE during the fourth quarter of 2000. After receiving input from the Company and the other PLPs, the final Cleanup Action Plan (CAP) was issued by the DOE in August 2001. In September 2001, the DOE issued an initial draft Consent Decree for the PLPs to review. During the first quarter of 2002, the Company and BNSF signed a cost sharing agreement. In September 2002, the Company, BNSF and the DOE finalized the Consent Decree to implement the CAP. The third PLP has indicated it will not sign the Consent Decree. It is currently estimated that the Company's share of the costs will be less than $1.0 million. The Engineering and Design Report for the CAP was submitted to the DOE in January 2003 and approved by the DOE in May 2003. Work under the CAP commenced during the second quarter of 2003. Negotiations are continuing with the third PLP with respect to the logistics of the CAP.

Lake Coeur d'Alene

In July 1998, the United States District Court for the District of Idaho issued its finding that the Coeur d'Alene Tribe of Idaho owns portions of the bed and banks of Lake Coeur d'Alene and the St. Joe River lying within the current boundaries of the Coeur d'Alene Reservation. This action was brought by the United States on behalf of the Tribe against the State of Idaho. While the Company has not been a party to this action, the Company is continuing to evaluate the potential impact of this decision on the operation of its hydroelectric facilities on the Spokane River, downstream of Lake Coeur d'Alene. The United States District Court decision was affirmed by the United States Court of Appeals for the Ninth Circuit. The United States Supreme Court affirmed this decision in June 2001. This will result in the Company being liable to the Coeur d'Alene Tribe of Idaho for payments for use of reservation lands under Section 10(e) of the Federal Power Act.

Spokane River Relicensing

The Company operates six hydroelectric plants on the Spokane River, and five of these (Long Lake, Nine Mile, Upper Falls, Monroe Street and Post Falls) are under one FERC license and referred to herein as the Spokane River Project. The sixth, Little Falls, is operated under separate Congressional authority and is not licensed by the FERC. The license for the Spokane River Project expires in August 2007; the Company filed a Notice of Intent to Relicense in July 2002. The formal consultation process involving planning and information gathering with stakeholder groups is underway. The Company's goal is to develop with the stakeholders a comprehensive and cost-effective settlement agreement to be filed as part of the Company's license application to the FERC in July 2005.

Clark Fork Settlement Agreement

Dissolved gas levels exceed Idaho and federal water quality standards downstream of the Cabinet Gorge Hydroelectric Generating Project (Cabinet Gorge) during periods when excess river flows must be diverted over the spillway. Mitigation of the dissolved gas levels continues to be studied as agreed to in the Clark Fork Settlement Agreement. To date, intensive biological studies in the lower Clark Fork River and Lake Pend Oreille have documented no significant biological effects of high dissolved gas levels on free ranging fish. Under the terms of the Clark Fork Settlement Agreement, the Company developed an abatement and mitigation strategy with the other signatories to the agreement and submitted the plan in December 2002 for review and approval to the Idaho Department of Environmental Quality and the U.S. Fish and Wildlife Service. In December 2003, the Idaho Department of Environmental Quality provided modifications to the plan that have been reviewed by the Company. The modifications did not result in any significant changes to the Company's plan. The structural alternative proposed by the Company provides for the modification of the two existing diversion tunnels built when Cabinet Gorge was originally constructed. The costs of modifications to the first tunnel are currently estimated to be $37 million (including AFUDC and inflation) and would be incurred between 2004 and 2009. The second tunnel would be modified only after evaluation of the performance of the first tunnel and such modifications would commence no later than 10 years following the completion of the first tunnel. It is currently estimated that the costs to modify the second tunnel would be $23 million (including AFUDC and inflation). As part of the plan, the Company will also provide $0.5 million annually commencing as early as 2004, as mitigation for aquatic resources that might be adversely affected by high dissolved gas levels. Mitigation funds will continue until the modification of the second tunnel commences or if the second tunnel is not modified to an agreed upon point in time commensurate with the biological effects of high dissolved gas levels. The Company will seek regulatory recovery of the costs for the modification of Cabinet Gorge and the mitigation payments.

The operating license for the Clark Fork Project describes the approach to restore bull trout populations in the project areas. Using the concept of adaptive management and working closely with the U.S. Fish and Wildlife Service, the Company is evaluating the feasibility of fish passage. The results of these studies will help the Company and other parties determine the best use of funds toward continuing fish passage efforts or other population enhancement measures.

Other Contingencies

In the normal course of business, the Company has various other legal claims and contingent matters outstanding. The Company believes that any ultimate liability arising from these actions will not have a material adverse impact on the Company's financial condition, results of operations or cash flows.

The Company routinely assesses, based on in-depth studies, expert analyses and legal reviews, its contingencies, obligations and commitments for remediation of contaminated sites, including assessments of ranges and probabilities of recoveries from other responsible parties who have and have not agreed to a settlement and recoveries from insurance carriers. The Company's policy is to accrue and charge to current expense identified exposures related to environmental remediation sites based on estimates of investigation, cleanup and monitoring costs to be incurred.

The Company has potential liabilities under the Federal Endangered Species Act for species of fish that have either already been added to the endangered species list, been listed as "threatened" or been petitioned for listing. Thus far, measures adopted and implemented have had minimal impact on the Company.

Under the federal licenses for its hydroelectric projects, the Company is obligated to protect its property rights, including water rights. The State of Montana is examining the status of all water right claims within state boundaries. Claims within the Clark Fork River basin could potentially adversely affect the energy production of the Company's Cabinet Gorge and Noxon Rapids hydroelectric facilities. The Company is participating in this extensive adjudication process, which is unlikely to be concluded in the foreseeable future.

The Company must be in compliance with requirements under the Clean Air Act Amendments at the Colstrip thermal generating plant, in which the Company maintains an ownership interest. The anticipated share of costs at Colstrip is not expected to have a major economic impact on the Company.

As of December 31, 2003, the Company's collective bargaining agreement with the International Brotherhood of Electrical Workers represented approximately 48 percent of all Avista Utilities employees. The current agreement with the local union representing the majority of the bargaining unit employees expires on March 25, 2005. A local agreement in the South Lake Tahoe area, which represents 5 employees, also expires on March 25, 2005. A local agreement in Medford, Oregon, which covers approximately 40 employees, will expire on March 31, 2005. Negotiations are currently ongoing with respect to two other labor agreements in Oregon covering approximately 15 employees.

NOTE 24. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

The Company's energy operations are significantly affected by weather conditions. Consequently, there can be large variances in revenues, expenses and net income between quarters based on seasonal factors such as temperatures and streamflow conditions. During the second quarter of 2003, Avista Corp. reported Avista Labs as discontinued operations (see Note 3). Accordingly, periods prior to the second quarter of 2003 have been restated to reflect Avista Labs as discontinued operations. Several accounting standards have been issued and rescinded, which have changed the accounting and reporting for derivative commodity instruments. This has resulted in the restatement of operating revenues and resource costs (operating expenses) for periods prior to the issuance or rescission of the respective accounting standards. Such restatements have not had any impact on income from operations, income from continuing operations, net income or income available for common stock. A summary of quarterly operations (in thousands, except per share amounts) for 2003 and 2002 follows:

	Three Months Ended			
	March 31	June 30	September 30	December 31
2003				
Operating revenues	$338,892	$236,735	$238,750	$309,008
Operating expenses:				
Resource costs	185,916	102,309	122,591	165,676
Operations and maintenance	33,323	33,459	31,722	39,554
Administrative and general	27,863	22,684	22,780	24,167
Depreciation and amortization	18,942	18,904	20,114	19,851
Taxes other than income taxes	17,858	15,270	13,424	15,275
Total operating expenses	283,902	192,626	210,631	264,523
Income from operations	54,990	44,109	28,119	44,485
Income from continuing operations	18,442	12,713	4,386	15,102
Loss from discontinued operations	(1,120)	(3,744)	(66)	(19)
Net income before cumulative effect of accounting change	17,322	8,969	4,320	15,083
Cumulative effect of accounting change	(1,190)	-	-	-
Net income	16,132	8,969	4,320	15,083
Income available for common stock	$15,554	$8,422	$4,320	$15,083
Outstanding common stock:				
Weighted average	48,100	48,224	48,281	48,319
End of period	48,182	47,830	48,311	48,344
Earnings per share, diluted:				
Earnings per share from continuing operations	$0.37	$0.25	$0.09	$0.31
Loss per share from discontinued operations	(0.02)	(0.08)	-	-
Earnings per share before cumulative effect of accounting change	0.35	0.17	0.09	0.31
Cumulative effect of accounting change	(0.03)	-	-	-
Total earnings per share, diluted	$0.32	$0.17	$0.09	$0.31
Dividends paid per common share	$0.12	$0.12	$0.125	$0.125
Trading price range per common share:				
High	$12.65	$14.80	$16.53	$18.70
Low	$9.80	$10.49	$13.91	$15.55

	Three Months Ended			
	March 31	June 30	September 30	December 31
2002				
Operating revenues	$337,617	$231,082	$206,821	$287,396
Operating expenses:				
Resource costs	196,734	91,040	97,944	150,996
Operations and maintenance	31,691	30,236	31,799	32,204
Administrative and general	22,310	33,879	21,795	27,663
Depreciation and amortization	17,753	17,737	17,440	18,937
Taxes other than income taxes	19,917	16,290	13,991	15,418
Total operating expenses	288,405	189,182	182,969	245,218
Income from operations	49,212	41,900	23,852	42,178
Income from continuing operations	16,976	12,292	864	12,042
Loss from discontinued operations	(1,728)	(1,947)	(2,479)	(565)
Net income (loss) before cumulative effect of accounting change	15,248	10,345	(1,615)	11,477
Cumulative effect of accounting change	(4,148)	-	-	-
Net income (loss)	11,100	10,345	(1,615)	11,477
Income (loss) available for common stock	$10,492	$9,737	$(2,223)	$10,899
Outstanding common stock:				
Weighted average	47,671	47,774	47,866	47,978
End of period	47,737	47,830	47,930	48,044
Earnings (loss) per share, diluted:				
Earnings per share from continuing operations	$0.35	$0.24	$0.00	$0.24
Loss per share from discontinued operations	(0.04)	(0.04)	(0.05)	(0.01)
Earnings (loss) per share before cumulative effect of accounting change	0.31	0.20	(0.05)	0.23
Cumulative effect of accounting change	(0.09)	-	-	-
Total earnings (loss) per share, diluted	$0.22	$0.20	$(0.05)	$0.23
Dividends paid per common share	$0.12	$0.12	$0.12	$0.12
Trading price range per common share:				
High	$16.47	$16.60	$13.89	$12.10
Low	$13.00	$11.00	$10.16	$8.75

SUPPLEMENTAL CASH FLOW INFORMATION:

(dollars in thousands)	2003	2002	2001
Cash paid for interest	$84,645	$31,307	$12,156
Cash paid for income taxes	11,476	7,428	(35,874)
Non-cash financing and investing activities			
Transfer of Coyote Springs 2 from subsidiary	106,766	-	-
Property and equipment acquired under capital leases	3,106	-	-
Intangible asset related to pension plan	(654)	6,366	-
Unfunded accumulated benefit obligation	15,198	(34,164)	(1,139)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

1. Report in columns (b) (c) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceeding Year				
2	Preceding yr. Reclassification from Account 219 Net Income				
3	Preceding Year Changes in Fair Value		(18,809,177)		
4	Total (lines 2 and 3)		(18,809,177)		
5	Balance of Account 219 at End of Preceding Yr/Beginning of Current Yr		(18,809,177)		
6	Current Year Reclassification From Account 219 to Net Income				
7	Current Year Changes in Fair Value		9,454,088		
8	Total (lines 6 and 7)		9,454,088		
9	Balance of Account 219 at End of Current Year		(9,355,089)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No.	Other Cash Flow Hedges [Specify] (f)	Other Cash Flow Hedges [Specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 72) (i)	Total Comprehensive Income (j)
1					
2					
3			(18,809,177)		
4			(18,809,177)	31,306,753	12,497,576
5			(18,809,177)		
6					
7			9,454,088		
8			9,454,088	44,504,252	53,958,340
9			(9,355,089)		

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Line No.	Classification (a)	Total (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	2,514,133,202	1,956,750,361
4	Property Under Capital Leases	3,905,446	
5	Plant Purchased or Sold		
6	Completed Construction not Classified		
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	2,518,038,648	1,956,750,361
9	Leased to Others		
10	Held for Future Use		
11	Construction Work in Progress	49,615,389	44,310,631
12	Acquisition Adjustments	26,580,073	
13	Total Utility Plant (8 thru 12)	2,594,234,110	2,001,060,992
14	Accum Prov for Depr, Amort, & Depl	886,846,714	651,132,508
15	Net Utility Plant (13 less 14)	1,707,387,396	1,349,928,484
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	826,175,778	644,621,400
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	8,490,249	6,511,108
22	Total In Service (18 thru 21)	834,666,027	651,132,508
23	Leased to Others		
24	Depreciation	35,857,057	
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)	35,857,057	
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj	16,323,630	
33	Total Accum Prov (equals 14) (22,26,30,31,32)	886,846,714	651,132,508

Name of Respondent Avista Corp.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 04/30/2004	Year of Report Dec. 31, 2003

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
484,721,213				72,661,628	3
				3,905,446	4
					5
					6
					7
484,721,213				76,567,074	8
					9
					10
2,082,565				3,222,193	11
26,580,073					12
513,383,851				79,789,267	13
199,857,149				35,857,057	14
313,526,702				43,932,210	15
					16
					17
181,554,378					18
					19
					20
1,979,141					21
183,533,519					22
					23
				35,857,057	24
					25
				35,857,057	26
					27
					28
					29
					30
					31
16,323,630					32
199,857,149				35,857,057	33

Name of Respondent	This report is:	Date of Report	Year Ending
Avista Corp.	[X] An Original [ ] A Resubmission	*(Mo, Da, Yr)* April 30, 2004	Dec. 31, 2003

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts.
2. In addition to Account 101, *Gas Plant in Service (Classified)*, this page and the next include Account 102, *Gas Plant Purchased or Sold*, Account 103, *Experimental Gas Plant Unclassified*, and Account 106, *Completed Construction Not Classified-Gas*.
3. Include in column (c) and (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.
5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d).

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1	INTANGIBLE PLANT		
2	301 Organization	0.00	0.00
3	302 Franchises and Consents	1,592.55	0.00
4	303 Miscellaneous Intangible Plant	3,062,204.67	214,206.84
5	TOTAL Intangible Plant (Enter Total of lines 2 thru 4)	3,063,797.22	214,206.84
6	PRODUCTION PLANT		
7	Natural Gas Production and Gathering Plant		
8	325.1 Producing Lands	0.00	0.00
9	325.2 Producing Leaseholds	0.00	0.00
10	325.3 Gas Rights	0.00	0.00
11	325.4 Rights-of-Way	0.00	0.00
12	325.5 Other Land and Land Rights	0.00	0.00
13	326 Gas Well Structures	0.00	0.00
14	327 Field Compressor Station Structures	0.00	0.00
15	328 Field Measuring and Regulating Station Equipment	0.00	0.00
16	329 Other Structures	0.00	0.00
17	330 Producing Gas Wells-Well Construction	0.00	0.00
18	331 Producing Gas Wells-Well Equipment	0.00	0.00
19	332 Field Lines	0.00	0.00
20	333 Field Compressor Station Equipment	0.00	0.00
21	334 Field Measuring and Regulating Station Equipment	0.00	0.00
22	335 Drilling and Cleaning Equipment	0.00	0.00
23	336 Purification Equipment	0.00	0.00
24	337 Other Equipment	0.00	0.00
25	338 Unsuccessful Exploration and Development Costs	0.00	0.00
26	TOTAL Production and Gathering Plant (Enter Total of lines 8 thru 25)	0.00	0.00
27	PRODUCTS EXTRACTION PLANT		
28	340 Land and Land Rights	0.00	0.00
29	341 Structures and Improvements	0.00	0.00
30	342 Extraction and Refining Equipment	0.00	0.00
31	343 Pipe Lines	0.00	0.00
32	344 Extracted Products Storage Equipment	0.00	0.00
33	345 Compressor Equipment	0.00	0.00

Name of Respondent	This report is:	Date of Report	Year Ending
Avista Corp.	[X] An Original [ ] A Resubmission	(Mo, Da, Yr) April 30, 2004	Dec. 31, 2003

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a suplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Line No.
				1
0.00	0.00	0.00	0.00	2
0.00	0.00	0.00	1,592.55	3
92,045.79	0.00	0.00	3,184,365.72	4
92,045.79	0.00	0.00	3,185,958.27	5
				6
				7
0.00	0.00	0.00	0.00	8
0.00	0.00	0.00	0.00	9
0.00	0.00	0.00	0.00	10
0.00	0.00	0.00	0.00	11
0.00	0.00	0.00	0.00	12
0.00	0.00	0.00	0.00	13
0.00	0.00	0.00	0.00	14
0.00	0.00	0.00	0.00	15
0.00	0.00	0.00	0.00	16
0.00	0.00	0.00	0.00	17
0.00	0.00	0.00	0.00	18
0.00	0.00	0.00	0.00	19
0.00	0.00	0.00	0.00	20
0.00	0.00	0.00	0.00	21
0.00	0.00	0.00	0.00	22
0.00	0.00	0.00	0.00	23
0.00	0.00	0.00	0.00	24
0.00	0.00	0.00	0.00	25
0.00	0.00	0.00	0.00	26
				27
0.00	0.00	0.00	0.00	28
0.00	0.00	0.00	0.00	29
0.00	0.00	0.00	0.00	30
0.00	0.00	0.00	0.00	31
0.00	0.00	0.00	0.00	32
0.00	0.00	0.00	0.00	33

Name of Respondent	This report is:	Date of Report	Year Ending
Avista Corp.	[X] An Original [ ] A Resubmission	(Mo, Da, Yr) April 30, 2004	Dec. 31, 2003

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
34	346 Gas Measuring and Regulating Equipment	0.00	0.00
35	347 Other Equipment	0.00	0.00
36	TOTAL Products Extraction Plant (Enter Total of lines 28 thru 35)	0.00	0.00
37	TOTAL Natural Gas Production Plant (Enter Total of lines 26 and 36)	0.00	0.00
38	Manufactured Gas Production Plant *(Submit Supplementary Statement)*	34,502.99	38,470.64
39	TOTAL Production Plant (Enter Total of lines 37 and 38)	34,502.99	38,470.64
40	NATURAL GAS STORAGE AND PROCESSING PLANT		
41	Underground Storage Plant		
42	350.1 Land	412,611.39	0.00
43	350.2 Rights-of-Way	23,874.03	0.00
44	351 Structures and Improvements	1,061,767.12	1,932.64
45	352 Wells	5,565,377.04	192,322.58
46	352.1 Storage Leaseholds and Rights	254,354.23	0.00
47	352.2 Reservoirs	203,330.47	0.00
48	352.3 Non-recoverable Natural Gas	6,121,926.03	0.00
49	353 Lines	823,422.59	0.00
50	354 Compressor Station Equipment	1,882,541.20	51,544.13
51	355 Measuring and Regulating Equipment	153,964.74	0.00
52	356 Purification Equipment	403,712.62	0.00
53	357 Other Equipment	1,632,459.05	12,034.23
54	TOTAL Underground Storage Plant (Enter Total of lines 42 thru 53)	18,539,340.51	257,833.58
55	Other Storage Plant		
56	360 Land and Land Rights	0.00	0.00
57	361 Structures and Improvements	0.00	0.00
58	362 Gas Holders	0.00	0.00
59	363 Purification Equipment	0.00	0.00
60	363.1 Liquefaction Equipment	0.00	0.00
61	363.2 Vaporizing Equipment	0.00	0.00
62	363.3 Compressor Equipment	0.00	0.00
63	363.4 Measuring and Regulating Equipment	0.00	0.00
64	363.5 Other Equipment	0.00	0.00
65	TOTAL Other Storage Plant (Enter Total of lines 56 thru 64)	0.00	0.00
66	Base Load Liquefied Natural Gas Terminaling and Processing Plant		
67	364.1 Land and Land Rights	0.00	0.00
68	364.2 Structures and Improvements	0.00	0.00
69	364.3 LNG Processing Terminal Equipment	0.00	0.00
70	364.4 LNG Transporation Equipment	0.00	0.00
71	364.5 Measuring and Regulating Equipment	0.00	0.00
72	364.6 Compressor Station Equipment	0.00	0.00
73	364.7 Communications Equipment	0.00	0.00
74	364.8 Other Equipment	0.00	0.00
75	TOTAL Base Load Liq Nat'l Gas, Terminal and Processing Plant (lines 67-74)	0.00	0.00
76	TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 54, 65 and 75)	18,539,340.51	257,833.58
77	TRANSMISSION PLANT		
78	365.1 Land and Land Rights	0.00	0.00
79	365.2 Rights-of-Way	0.00	0.00
80	366 Structures and Improvements	0.00	0.00

Name of Respondent	This report is:	Date of Report	Year Ending
Avista Corp.	[X] An Original [ ] A Resubmission	(Mo, Da, Yr) April 30, 2004	Dec. 31, 2003

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Line No.
0.00	0.00	0.00	0.00	34
0.00	0.00	0.00	0.00	35
0.00	0.00	0.00	0.00	36
0.00	0.00	0.00	0.00	37
0.00	0.00	0.00	72,973.63	38
0.00	0.00	0.00	72,973.63	39
				40
				41
0.00	0.00	0.00	412,611.39	42
0.00	0.00	0.00	23,874.03	43
0.00	0.00	0.00	1,063,699.76	44
0.00	0.00	0.00	5,757,699.62	45
0.00	0.00	0.00	254,354.23	46
0.00	0.00	0.00	203,330.47	47
0.00	0.00	0.00	6,121,926.03	48
0.00	0.00	0.00	823,422.59	49
0.00	0.00	0.00	1,934,085.33	50
0.00	0.00	0.00	153,964.74	51
0.00	0.00	0.00	403,712.62	52
0.00	0.00	0.00	1,644,493.28	53
0.00	0.00	0.00	18,797,174.09	54
				55
0.00	0.00	0.00	0.00	56
0.00	0.00	0.00	0.00	57
0.00	0.00	0.00	0.00	58
0.00	0.00	0.00	0.00	59
0.00	0.00	0.00	0.00	60
0.00	0.00	0.00	0.00	61
0.00	0.00	0.00	0.00	62
0.00	0.00	0.00	0.00	63
0.00	0.00	0.00	0.00	64
0.00	0.00	0.00	0.00	65
				66
0.00	0.00	0.00	0.00	67
0.00	0.00	0.00	0.00	68
0.00	0.00	0.00	0.00	69
0.00	0.00	0.00	0.00	70
0.00	0.00	0.00	0.00	71
0.00	0.00	0.00	0.00	72
0.00	0.00	0.00	0.00	73
0.00	0.00	0.00	0.00	74
0.00	0.00	0.00	0.00	75
0.00	0.00	0.00	18,797,174.09	76
				77
0.00	0.00	0.00	0.00	78
0.00	0.00	0.00	0.00	79
0.00	0.00	0.00	0.00	80

Name of Respondent	This report is:	Date of Report	Year Ending
Avista Corp.	[X] An Original [ ] A Resubmission	(Mo, Da, Yr) April 30, 2004	Dec. 31, 2003

GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
81	367 Mains	0.00	0.00
82	368 Compressor Station Equipment	0.00	0.00
83	369 Measuring and Regulating Equipment	0.00	0.00
84	370 Communications Equipment	0.00	0.00
85	371 Other Equipment	0.00	0.00
86	TOTAL Transmission Plant (Enter Totals of lines 78 thru 85)	0.00	0.00
87	DISTRIBUTION PLANT		
88	374 Land and Land Rights	113,916.51	(20.87)
89	375 Structures and Improvements	614,002.07	18,086.08
90	376 Mains	216,541,259.41	9,470,021.52
91	377 Compressor Station Equipment	0.00	0.00
92	378 Measuring and Regulating Equipment-General	4,272,328.08	131,819.82
93	379 Measuring and Regulating Equipment-City Gate	1,726,021.37	125,947.94
94	380 Services	155,622,620.54	7,431,902.02
95	381 Meters	49,000,315.97	2,680,535.96
96	382 Meter Installations	0.00	0.00
97	383 House Regulators	0.00	0.00
98	384 House Regulator Installations	0.00	0.00
99	385 Industrial Measuring and Regulating Station Equipment	2,382,034.37	206,204.25
100	386 Other Property on Customers' Premises	0.00	0.00
101	386 Other Equipment	539.29	0.00
102	TOTAL Distribution Plant (Enter Totals of lines 88 thru 101)	430,273,037.61	20,064,496.72
103	GENERAL PLANT		
104	389 Land and Land Rights	330,820.93	0.00
105	390 Structures and Improvements	2,377,834.44	15,101.12
106	391 Office Furniture and Equipment	9,685.00	0.00
107	392 Transportation Equipment	3,171,447.68	(88,803.57)
108	393 Stores Equipment	83,972.22	0.00
109	394 Tools, Shop, and Garage Equipment	2,014,748.62	377,726.83
110	395 Laboratory Equipment	873,972.50	45,311.14
111	396 Power Operated Equipment	2,519,588.35	0.00
112	397 Communication Equipment	1,589,216.62	85,415.46
113	398 Miscellaneous Equipment	34,471.93	0.00
114	Subtotal (Enter Totals of lines 104 thru 113)	13,005,758.29	434,750.98
115	399 Other Tangible Property	0.00	0.00
116	TOTAL General Plant (Enter Totals of lines 114 and 115)	13,005,758.29	434,750.98
117	TOTAL (Accounts 101 and 106)	464,916,436.62	21,009,758.76
118	Gas Plant Purchased (See Instruction 8)	0.00	0.00
119	*(Less)* Gas Plant Sold (See Instruction 8)	0.00	
120	Experimental Gas Plant Unclassified	0.00	0.00
121	TOTAL Gas Plant in Service (Enter Totals of lines 117 thru 120)	464,916,436.62	21,009,758.76

Name of Respondent	This report is:	Date of Report	Year Ending
	[X] An Original	(Mo, Da, Yr)	
Avista Corp.	[ ] A Resubmission	April 30, 2004	Dec. 31, 2003

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Line No.
0.00	0.00	0.00	0.00	81
0.00	0.00	0.00	0.00	82
0.00	0.00	0.00	0.00	83
0.00	0.00	0.00	0.00	84
0.00	0.00	0.00	0.00	85
0.00	0.00	0.00	0.00	86
				87
0.00	0.00	0.00	113,895.64	88
3,963.31	0.00	(0.65)	628,124.19	89
194,538.68	0.00	0.00	225,816,742.25	90
0.00	0.00	0.00	0.00	91
25,974.11	0.00	(676.28)	4,377,497.51	92
15,384.59	0.00	(5,043.81)	1,831,540.91	93
237,926.44	0.00	0.00	162,816,596.12	94
353,759.10	0.00	337.43	51,327,430.26	95
0.00	0.00	0.00	0.00	96
0.00	0.00	0.00	0.00	97
0.00	0.00	0.00	0.00	98
841.45	0.00	915.07	2,588,312.24	99
0.00	0.00	0.00	0.00	100
0.00	0.00	0.00	539.29	101
832,387.68	0.00	(4,468.24)	449,500,678.41	102
				103
0.00	0.00	0.00	330,820.93	104
11,275.48	0.00	(71,968.07)	2,309,692.01	105
0.00	0.00	0.00	9,685.00	106
228,638.38	0.00	134,665.47	2,988,671.20	107
0.00	0.00	0.00	83,972.22	108
5,900.19	0.00	0.00	2,386,575.26	109
12,683.30	0.00	0.00	906,600.34	110
26,785.25	0.00	0.00	2,492,803.10	111
9,009.82	0.00	(44,485.25)	1,621,137.01	112
0.00	0.00	0.00	34,471.93	113
294,292.42	0.00	18,212.15	13,164,429.00	114
0.00	0.00	0.00	0.00	115
294,292.42	0.00	18,212.15	13,164,429.00	116
1,218,725.89	0.00	13,743.91	484,721,213.40	117
	0.00	0.00	0.00	118
0.00	0.00	0.00	0.00	119
0.00	0.00	0.00	0.00	120
1,218,725.89	0.00	13,743.91	484,721,213.40	121

Name of Respondent	This report is:	Date of Report (Mo, Da, Yr)	Year Ending
Avista Corp.	[X] An Original [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

CONSTRUCTION WORK IN PROGRESS-GAS (ACCOUNT 107)

1. Report below descriptions and balances at end of year of projects in process of construction (Account 107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $1,000,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	STATE OF WASHINGTON		
2			
3	Minor Projects (34) Under $1,000,000	904,694.14	607,486.30
4			
5			
6			
7			
8			
9	STATE OF IDAHO		
10			
11			
12	Minor Projects (18) Under $1,000,000	348,858.01	15,622.05
13			
14			
15	STATE OF OREGON		
16			
17	Minor Projects (22) Under $1,000,000	423,741.56	308,708.44
18			
19			
20			
21	STATE OF CALIFORNIA		
22			
23	Minor Projects (0) under $1,000,000	0.00	0.00
24			
25			
26	COMMON-OR/CA/WA/ID		
27			
28	Minor Projects (2) under $1,000,000	405,271.28	
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			
45	TOTAL	2,082,564.99	931,816.79

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2004	Dec. 31, 2003

ACCUMULATED PROVISION FOR DEPRECIATION OF GAS UTILITY PLANT (Account 119)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, line 11, column (c), and that reported for gas plant in service, pages 204-209, column (d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
	Section A. Balances and Changes During Year				
1	Balance Beginning of Year	168,634,257	168,634,257		
2	Depreciation Provisions for Year,				
	Charged to				
3	(403) Depreciation Expense	13,692,663	13,692,663		
4	(413) Exp. of Gas Plt. Leas. to Others				
5	Transportation Expenses-Clearing	196,332	196,332		
6	Other Clearing Accounts				
7	Other Accounts (Specify):				
8	Transfer to common (transporation clear)	0			
9	TOTAL Deprec. Prov. for Year (Enter Total of lines 3 thru 8)	13,888,995	13,888,995		
10	Net Charges for Plant Retired:				
11	Book Cost of Plant Retired	(1,126,680)	(1,126,680)		
12	Cost of Removal	(234,397)	(234,397)		
13	Salvage (Credit)	7,926	7,926		
14	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 11 thru 13)	(1,353,151)	(1,353,151)		
15	Other Debit or Credit Items (Describe)	0	0		
16					
17	Balance End of Year (Enter Total of lines 1, 9, 14, 15, and 16)	181,170,101	181,170,101	0	0
	Section B. Balances at End of Year According to Functional Classifications				
18	Production-Manufactured Gas	(70,585)	(70,585)		
19	Prod. and Gathering-Natural Gas				
20	Products Extraction-Natural Gas				
21	Underground Gas Storage	9,032,338	9,032,338		
22	Other Storage Plant				
23	Base Load LNG Term and Proc. Plt.				
24	Transmission	(34,143)	(34,143)		
25	Distribution	165,837,260	165,837,260		
26	General	6,405,231	6,405,231		
27	TOTAL (Enter Total of lines 18 thru 26)	181,170,101	181,170,101	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corporation	[X] An Original [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

GAS STORED (ACCOUNT 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, AND 164.3)

1 If durring the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.

2 Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas property recordable in the plant accounts.

3 State in a footnote the basis of segregation of inventory between current and noncurrent protions. Also state in a footnote the method used to report storage (I.e. fixed asset method or inventory method).

Line No.	Description (a)	(Account 117.1) (b)	(Account 117.2) (c)	Noncurrent (Account 117.3) (d)	(Account 117.4) (e)	Current (Account 164.1) (f)	LNG (Account 164.2) (g)	LNG (Account 164.3) (h)	Total (i)
1	Balance at Beginning of Year					7,563,672	563,855		8,127,527
2	Gas Delivered to Storage					12,419,129	329,165		12,748,294
3	Gas Withdrawn from Storage					11,806,401	253,637		12,060,038
4	Other Debits and Credits					0	0		0
5	Balance at End of Year					8,176,400	639,383		8,815,783
6	Dth					1,690,003	270,906		1,960,909
7	Amount Per Dekatherm					$4.8381	$2.3602		$4.4958
8	State basis of segregation of inventory between current and noncurrent portions:								

Current portion is gas expected to be sold within a 24 month period. All other gas is considered non-current.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1)

1. Report below investments in Accounts 123.1, investments in Subsidiary Companies.
2. Provide a subheading for each company and List there under the information called for below. Sub - TOTAL by company and give a TOTAL in columns (e),(f),(g) and (h)
(a) Investment in Securities - List and describe each security owned. For bonds give also principal amount, date of issue, maturity and interest rate.
(b) Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.
3. Report separately the equity in undistributed subsidiary earnings since acquisition. The TOTAL in column (e) should equal the amount entered for Account 418.1.

Line No.	Description of Investment (a)	Date Acquired (b)	Date Of Maturity (c)	Amount of Investment at Beginning of Year (d)
1				
2	Avista Capital - Common Stock	1997		184,251,609
3	Avista Capital - Equity in Earnings			72,486,131
4	Dividends from Subsidiary (Avista Capital)			
5				
6				
7				
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42	Total Cost of Account 123.1 $ 0		TOTAL	256,737,740

Name of Respondent Avista Corp.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 04/30/2004	Year of Report Dec. 31, 2003

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1) (Continued)

4. For any securities, notes, or accounts that were pledged designate such securities, notes, or accounts in a footnote, and state the name of pledgee and purpose of the pledge.
5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.
6. Report column (f) interest and dividend revenues form investments, including such revenues form securities disposed of during the year.
7. In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if difference from cost) and the selling price thereof, not including interest adjustment includible in column (f).
8. Report on Line 42, column (a) the TOTAL cost of Account 123.1

Equity in Subsidiary Earnings of Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)	Line No.
				1
		184,251,609		2
9,156,784		81,642,915		3
	-9,990,036	-9,990,036		4
				5
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9,156,784	-9,990,036	255,904,488		42

Name of Respondent Avista Corp.	This report is: [X] An Original [ ] A Resubmission	Date of Report *(Mo, Da, Yr)* April 30, 2004	Year Ending Dec. 31, 2003

PREPAYMENTS (ACCOUNT 165)

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Prepayment (a)	Balance at End of Year(in dollars) (b)
1	Prepaid Insurance	939,497
2	Prepaid Rents	
3	Prepaid Taxes	
4	Prepaid Interest	
5	Miscellaneous Prepayments	1,977,109
6	TOTAL	**2,916,606**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets which are created through the rate making actions of regulatory agencies (and not includable in other accounts)
2. For regulatory assets being amortized, show period of amortization in column (a)
3. Minor items (5% of the Balance at End of Year for Account 182.3 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Debits (b)	CREDITS Account Charged (c)	CREDITS Amount (d)	Balance at End of Year (e)
1	FAS 106 - Accounting for Post Retirement		926.65	472,752	4,254,768
2	Benefits, other than Pensions (182.30)				
3	182.30 Amort period 1996-2012				
4	FAS 109 - Acctng for Income Taxes Util Prop		283.17, 18	7,401,737	132,097,287
5	(182.31 & 182.32)				
6	More Options Power Supply (MOPS) - WA (182.34)		407.44	190,944	
7	More Options Power Supply (MOPS) - ID (182.34)		407.44	29,592	
8	WA ERM Deferral Balance (182.35)		186.28	4,391,600	99,774,940
9	WA Amortization (182.36)	974,754	557.16		974,754
10	182.36 Amort period 2004-2006				
11	Hamilton Street Bridge -- WA (182.39, 028)		407.39	263,712	125,676
12	Hamilton Street Bridge -- ID (182.39 038)		407.39	107,052	105,300
13	BPA RES Exchange (182.45, 028)	195,192	254.45		195,192
14	BPA RES Exchange A/R (182.45, 098)	1,679,445	254.45		1,679,445
15	BPA RES Exchange - Int Rec (182.46, 028)	30,267	419.00		30,267
16	BPA RES Exchange - Int Rec (182.46, 038)	6,278	419.00		6,278
17	FAS 133 Reg Asset (182.74)				
18	FAS 143-ARO Reg Asset (182.76)		230.10, 10	436,329	-436,329
19	Oregon DSM Long-Term Reg Asset (182.80)		various	164,307	-632,736
20	Workers Comp (182.83)	1,688,889	242.83		1,688,889
21					
22					
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24					
25					
26					
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42					
43					
44	TOTAL	4,574,825		13,458,025	239,863,731

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Regulatory Deferrals - WA					
2	Colstrip Common Fac.	603,060		406	31,740	571,320
3	WA Accrued Power Def	1,164,331	1,974,676			3,139,007
4	WA Deferred Power Costs	18,418,548	4,372,824			22,791,372
5	WA ERM YTD Company Band	4,500,000	4,500,000			9,000,000
6	WA ERM YTD Contra Account	-4,500,000			4,500,000	-9,000,000
7						
8	Regulatory Deferrals - ID					
9	ID Deferred New Generation	921,184			184,240	736,944
10	Colstrip Common Fac.	1,278,852		406	67,308	1,211,544
11	Idaho Accrued PCA Def	592,090	1,004,168			1,596,258
12	ID Deferred Power	57,960,050	24,378,033	var		82,338,083
13	ID Accumulated Surcharge Am	-27,034,339		557	26,615,142	-53,649,481
14						
15	Payroll Accrual	1,597,425	311,753	var		1,909,178
16						
17	PPP Surcharge	364,926	89,423			454,349
18						
19	Misc Error Suspense	-2,206,324	2,559,340	var		353,016
20						
21	Joint Projects					
22	Centralia Operating Payments					
23						
24	WPI-ID Terminated Elec Pur.	783,989		555	391,992	391,997
25						
26	Unamortized A/R Sale	357,423			116,277	241,146
27						
28	Intangible Pension Asset	6,365,810	151	228.32	653,810	5,712,151
29						
30	Bank Recon Suspense	-192	192			
31	Mark to Market Deferred Debit			254		
32	Interest Rate Swap	1,368,874			1,368,874	
33						
34	Nez Perce Settlement	212,869		557	5,210	207,659
35						
36	Centralia Mine Env Balance	567,509	4,815			572,324
37						
38	DES Contract Amortization	87,238		556	61,866	25,372
39						
40	Metro-Sunset 115KV TE	68,651	45,930			114,581
41						
42	UPRR Permit Conv	184,051	147,319			331,370
43						
44	CPRR Permit Conv	72,371			72,371	
45						
46	Ortho Business Activity	85,027	51,027			136,054
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	81,406,921				86,083,253

Name of Respondent Avista Corp.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 04/30/2004	Year of Report Dec. 31, 2003

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Canadian GST Tax	95,404		var	82,287	13,117
2						
3	Nez Perce Forest	91,876			91,876	
4						
5	Electric Network					
6						
7	Misc Work Orders <$50,000	250,788	41,321			292,109
8	Subsidiary Billings	2,222,737		var	255,954	1,966,783
9						
10	Conservation					
11	Enhanced Low Income Wzn	62,505			59,905	2,600
12	Oregon Gas Comm Consvt	150,867	26,808			177,675
13	Oregon Shower Head	147,726		908	40,592	107,134
14	Oregon Common Gas Eff	118,681	45,297			163,978
15	WPNG HE Wtr Htrs-Oregon	268,737	17,759			286,496
16	WPNG HE Furnaces	1,726,742	301,567			2,028,309
17	WPNG CA RES L/I-P	-360,736	304,670	var		-56,066
18	WPNG OR Res Low 1	185,190		908	13,444	171,746
19	Regulatory-Sched 67	230,417		908	33,067	197,350
20	Reg-Water Heat Conv	1,185,645		908	152,358	1,033,287
21	Reg-Space/Water Con	4,766,174		908	704,561	4,061,613
22	Reg-Elec Comm/Ind	779,792		908	116,375	663,417
23	Reg-Gas Wzn Res	1,185,869		908	153,145	1,032,724
24	Reg-L/I Elec/Gas	398,209		908	49,738	348,471
25	Reg-Elec Manuf Home	333,778		908	48,984	284,794
26	Reg-Comm/Ind Gas	135,820		908	19,600	116,220
27	Reg-Gas Res Appl Ef	1,610,614		908	208,178	1,402,436
28	Reg-Gas Res Showerhead	137,611		908	55,047	82,564
29	Reg Elect Res Wzn	58,877		908	8,643	50,234
30	Reg L/I Elec Wzn	95,940		908	14,099	81,841
31	Reg Elec Res Shwr	58,739		908	37,937	20,802
32	Reg C/I Elec Fuel	229,435		908	34,222	195,213
33	Reg Gas A.E. Wtr	185,284		908	74,130	111,154
34	Reg Low Income Gas Wzn	394,201		908	56,634	337,567
35	Care - California	36,008	19,199			55,207
36	Consv. & Renewable Disco		199,786			199,786
37	Sandpoint DSR - PPL	853,740		908	113,387	740,353
38	Gas Plant					
39	Hamilton Street Bridge Site	-152,520	206,213	var		53,693
40						
41	Electric Plant					
42	Post Falls No Channel Study	50,991			50,991	
43						
44	Easy Pay Billing CS	-303,425	165,536			-137,889
45	Lake CDA Issues	321,992	281,113			603,105
46	Shareholder Lawsuit 2002	39,790	171,396			211,186
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	81,406,921				86,083,253

Name of Respondent	This Report Is:	Date of Report (M, D, Y)	Year of Report
Avista Corp	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

ACCUMULATED DEFERRED INCOME TAXES (ACCOUNT 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.

2. At Other (Specify), include deferrals relating to other income and deductions.

3. At lines 4 and 6, add rows as necessary to report all data. Number the additional rows in sequence 4.01, 4.02, etc. and 6.01, 6.02, etc.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR: Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR: Amounts Credited to Account 411.1 (d)
1	Account 190			
2	Electric	11,862,009	2,604,236	3,596,298
3	Gas	1,907,787	3,312,557	(27,288)
3.01				
4	Other (Define)			
4.01				
4.02				
5	Total (Total of lines 2 thru 4)	**13,769,796**	**5,916,793**	**3,569,010**
6	Other (Specify)	23,825,508	191,682	685,608
6.01	Common			
6.02				
7	TOTAL Account 190 (Total of lines 5 thru 6)	**37,595,304**	**6,108,475**	**4,254,618**
8	Classification of TOTAL			
9	Federal Income Tax	**37,595,304**	**6,108,475**	**4,254,618**
10	State Income Tax			
11	Local Income Tax			

Name of Respondent	This Report Is:	Date of Report	Year of Report
	(1) [X] An Original	*(Mo, Da, Yr)*	
Avista Corp	(2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

ACCUMULATED DEFERRED INCOME TAXES (ACCOUNT 190) (Continued)

4. If more space is needed, use separate pages as required.

5. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed under "Other."

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits to 190		Credits to 190			
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Acct. No.	Amount	Acct. No.	Amount	Balance at End of Year	Line No.
(e)	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	*(k)*	
							1
119,203	0			236.00	1,404,116	**11,330,752**	2
63,426	0			236.00	310,956	**(1,806,440)**	3
				254.18	26,556	**(26,556)**	3.01
						0	4
						0	4.01
						0	4.02
182,629	**0**		**0**		**1,741,628**	**9,497,756**	5
	(66,775)	131.10	5,562,634			**29,815,293**	6
		219.00	1,833,120			**1,833,120**	6.01
		219.00	(6,923,783)			**(6,923,783)**	6.02
182,629	**(66,775)**		**471,971**		**1,741,628**	**34,222,386**	7
							8
182,629	**(66,775)**		**471,971**		**1,741,628**	**34,222,386**	9
							10
							11

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

CAPITAL STOCKS (Account 201 and 204)

1. Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	Account 201 - Common Stock Issued			
2	No Par Value	200,000,000		
3				
4	TOTAL_COM	200,000,000		
5				
6				
7	Account 204 - Preferred Stock Issued	10,000,000		
8				
9				
10	Cumulative			
11				
12				
13	TOTAL_PRE	10,000,000		
14				
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Name of Respondent Avista Corp.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 04/30/2004	Year of Report Dec. 31, 2003

CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No.
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
						1
48,344,009	626,787,000					2
						3
48,344,009	626,787,000					4
						5
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

CAPITAL STOCK EXPENSE (Account 214)

1. Report the balance at end of the year of discount on capital stock for each class and series of capital stock.
2. If any change occurred during the year in the balance in respect to any class or series of stock, attach a statement giving particulars (details) of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1	Common Stock - Public Issue	8,096,029
2	Shares issued under provisions of Respondant's Dividend Reinvestment and Stock Purchase Plan	442,145
3	Shares issued under provisions of Respondant's Employee Stock Purchase Plan	74,839
4	Common Stock - 401k	215,137
5	Common Stock - Periodic Offering Program (POP)	599,768
6	$6.95 Preferred Stock, Series K	1,334,005
7	Common Stock Split	187,872
8		
9		
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21		
22	TOTAL	10,949,795

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	Acct. 221 - Bonds:		
2	Secured Medium Term Notes $800,000,000	695,000,000	5,785,640
3	(Premium)		50,220
4			
5	Pollution Control Revenue Bonds:		
6	6% Series due 2023	4,100,000	345,385
7	Colstrip 1999A due 2032	66,700,000	2,182,462
8	(Premium)		1,334,000
9	Colstrip 1999B due 2034	17,000,000	565,288
10	(Premium)		340,000
11			
12	SUBTOTAL	782,800,000	10,602,995
13			
14	Acct. 222 - Reacquired Bonds		
15			
16	Acct. 223 - Advances from Associated Companies	1,434,151	
17			
18	Acct. 224 - Other Long-term Debt		
19	Series K Preferred Stock	35,000,000	2,089,391
20	Notes Payable - Banks (local) $225,000,000		2,844,500
21			
22	Commercial Paper		
23			
24	Unsecured Senior Notes	400,000,000	9,128,000
25	(Discount)		2,716,000
26			
27	Medium Term Notes $1,000,000,000	683,000,000	6,197,873
28	(Premium)		70,000
29	Long Term Curent		
30	Notes Payable to Various Parties		
31	Preferred Trust Securities	61,855,675	5,960,160
32	Preferred Trust Securities	51,547,000	3,633,783
33	TOTAL	2,015,636,826	43,242,702

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
						1
				343,500,000	23,245,436	2
						3
						4
						5
12/18/1984	12/01/2014	12/18/1984	12/01/2014	4,100,000	246,000	6
9/01/1999	10/01/2032	9/01/1999	10/01/2032	66,700,000	3,335,000	7
						8
9/01/1999	3/01/2034	9/01/1999	3/01/2034	17,000,000	871,250	9
						10
						11
				431,300,000	27,697,686	12
						13
						14
						15
				1,434,151		16
						17
						18
9/15/1992	9/15/2007	9/15/2	9/15/2007	31,500,000	926,148	19
				80,000,000	1,875,425	20
						21
						22
						23
4/03/2001	6/01/2008	4/03/2001	6/01/2008	317,682,661	32,278,503	24
						25
						26
				147,350,000	14,086,472	27
						28
						29
						30
01/23/1997	01/15/2037	01/31/1997	12/31/2036	61,855,675	4,871,134	31
06/03/1997	06/01/2037	06/30/1997	05/31/2037	51,547,000	1,120,911	32
				1,122,669,487	82,856,279	33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be field, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as Long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	44,504,252
2		
3		
4	Taxable Income Not Reported on Books	
5		4,948,277
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10		81,079,648
11	Federal Income Tax	22,001,665
12	Deferred Income Tax	3,648,713
13	Investment Tax Credit	-49,308
14	Income Recorded on Books Not Included in Return	
15		4,677,099
16	Equity in Sub Earnings (Income) / Loss	-9,156,784
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20		-88,791,664
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	62,861,898
28	Show Computation of Tax:	22,001,665
29	62,861,898 x .35 = 22,001,664.30	
30		
31		
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1	FEDERAL:					
2	Income Tax (1989-1996)	-587,439				
3	Income Tax (1997)					
4	Income Tax (1998)	-37,912				
5	Income Tax (1999)	-938,867			-1,657,038	-738,061
6	Income Tax (2000)	7,097,901			2,977,090	
7	Income Tax (2001)	-53,215,684				
8	Income Tax (2002)	54,943,426			5,902,269	
9	Income Tax (2003)			22,001,666	-13,036,920	-40,703,033
10	Unemployment Ins 2003					
11	FICA (2002)	2,594				-2,594
12	FICA (2003)			9,165,370	9,167,363	2,594
13	Retained Earnings-ESOP					
14	Retained Earnings-ESOP					
15	Retained Earnings-ESOP	-885,066				738,061
16	Retained Earnings-ESOP	-419,065				
17	Retained Earnings-ESOP	-141,026				
18	Retained	-139,205				
19	Retained			-221,742		
20	Total Federal	5,679,657		30,945,294	3,352,764	-40,703,033
21						
22	STATE OF WASHINGTON:					
23	Property Tax (2000 & Prior)	485,660		-19,484		
24	Property Tax (2001)	-57,614				
25	Property Tax (2002)	9,964,632		-1,247,137	8,717,350	
26	Property Tax (2003)			9,948,000		
27	Excise Tax (2001)	329,416				
28	Excise Tax (2002)	1,645,877				
29	Excise Tax (2003)			17,021,404	16,849,875	
30	Gas Surcharge			1,737	8,434	
31	Unemployment Ins. (2001)					
32	Unemployment Ins. (2002)					
33	Motor Vehicle (2002)					
34	Motor Vehicle (2003)			1,671	1,671	
35	Total Washington	12,367,971		25,706,191	25,577,330	
36						
37	STATE OF IDAHO:					
38	Income Tax (1997-2000)	855,431			-125,707	
39	Income Tax (2001)	-3,085,967				
40	Income Tax (2002)	749,501				
41	TOTAL	22,522,183		93,152,431	65,754,732	-40,678,826

Name of Respondent Avista Corp.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 04/30/2004	Year of Report Dec. 31, 2003

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
-587,439						2
						3
-37,912						4
-19,890						5
4,120,811						6
-53,215,684						7
49,041,157						8
-5,664,448		23,284,564			-1,282,898	9
						10
						11
601					9,165,370	12
						13
						14
-147,005						15
-419,065						16
-141,026						17
-139,205						18
-221,742					-221,742	19
-7,430,847		23,284,564			7,660,730	20
						21
						22
466,176		128,213			-147,697	23
-57,614						24
143		-1,142,637			-104,500	25
9,948,000		7,778,000			2,170,000	26
329,416						27
1,645,877						28
171,529		11,659,421			5,361,983	29
-6,697					1,737	30
						31
						32
						33
					1,671	34
12,496,830		18,422,997			7,283,194	35
						36
						37
981,138						38
-3,085,967						39
749,501						40
9,241,055		67,187,950			25,964,481	41

Name of Respondent Avista Corp.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 04/30/2004	Year of Report Dec. 31, 2003

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1	Income Tax (2003)			705,593	428,090	
2	Property Tax (2000 & Prior)	-383		-251,173		
3	Property Tax (2001)	47				
4	Property Tax (2002)	2,565,970			2,574,037	
5	Property Tax (2003)			5,427,496	2,724,004	
6	Excise Tax (2000)	-8,056				
7	Excise Tax (2001)	-54,473				
8	Excise Tax (2002)	-7,135			616	
9	Excise Tax (2003)			86,203	76,340	
10	Unemployment Ins. (2003)					
11	Motor Vehicle Ins. (2003)			2,048	2,048	
12	Irrigation Credits (2002)			21	5,751	
13	KWH Tax (2002)	41,502		-14,955	26,547	
14	KWH Tax (2003)			398,793	332,789	
15	Franchise Tax (2002)	632,882		426,254	1,141,721	
16	Franchise Tax (2003)			2,345,440	1,615,046	
17	Total Idaho	1,689,319		9,125,720	8,801,282	
18						
19	STATE OF MONTANA:					
20	Income Tax (1996-2000)	615,757				
21	Income Tax (2001)	-1,186,912				
22	Income Tax (2002)	69,988				
23	Income Tax (2003)			384,870	378,554	
24	Property Tax (1999)	-93,657		86,571		
25	Property Tax (2000)	-46,114				
26	Property Tax (2001)	1,454				
27	Property Tax (2002)	2,984,500			2,978,986	
28	Property Tax (2003)			6,139,704	3,075,236	
29	Unemployment Ins (2002)					
30	KWH Tax (2002)	204,574		1,428	206,002	
31	KWH Tax (2003)			1,072,536	837,363	
32	Motor Vehicle (2003)			1,461	1,461	
33	Consumer Council Tax			649	2,101	
34	Public Commission Tax			869	875	
35	Total Montana	2,549,590		7,688,088	7,480,578	
36						
37	STATE OF OREGON:					
38	Income Tax (1995)	-24,207				24,207
39	Income Tax (1999)	214,635				
40	Income Tax (2000)	-158,916				
41	TOTAL	22,522,183		93,152,431	65,754,732	-40,678,826

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
277,503					705,593	1
-251,556		-18,155			-233,018	2
47						3
-8,067						4
2,703,492		4,558,200			869,296	5
-8,056						6
-54,473						7
-7,751						8
9,863		4,118			82,085	9
						10
					2,048	11
-5,730		21				12
		-14,955				13
66,004		398,793				14
-82,585		299,306			126,948	15
730,394		1,564,806			780,634	16
2,013,757		6,792,134			2,333,586	17
						18
						19
615,757						20
-1,186,912						21
69,988						22
6,316					384,870	23
-7,086		86,571				24
-46,114						25
1,454						26
5,514						27
3,064,468		6,139,704				28
						29
		1,428				30
235,173		1,072,536				31
					1,461	32
-1,452		649				33
-6		869				34
2,757,100		7,301,757			386,331	35
						36
						37
						38
214,635						39
-158,916						40
9,241,055		67,187,950			25,964,481	41

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
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3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1	Income Tax (2001)	-854,485				
2	Income Tax (2002)	216,117				
3	Income Tax (2003)			160,362	140,209	
4	Property Tax (1999-2000)	55,143				
5	Property Tax (2001)	20,499				
6	Proprty Tax (2002)	-471,442		411,387		
7	Property Tax (2003)			1,288,345	2,542,695	
8	Unemployment Ins. (2003)					
9	Motor Vehicle (2003)			1,277	1,277	
10	Busn Energy Tax Credit	-414,235				
11	Busn Energy Tax Credit	-34,243				
12	Busn Energy Tax Credit	-55,790				
13	Busn Energy Tax Credit			-63,885		
14	Franchise Tax (2002)	221,428		277,290	614,682	
15	Franchise Tax (2003)			1,793,430	1,578,524	
16	Total Oregon	-1,285,496		3,868,206	4,877,387	24,207
17						
18	STATE OF CALIFORNIA:					
19	Income Tax (1996-2000)	158,423				
20	Income Tax (2001)	-142,429				
21	Income Tax 2002	26,863				
22	Income Tax 2003			32,074	49,132	
23	Property Tax (1999)	128,479		-1	-1	
24	Property Tax (2000-2001)	3,906		-5,358		
25	Property Tax (2002)	-53,986		60,336		
26	Property Tax (2003)			57,268	114,533	
27	Excise Tax (1999-2000)	-2,163				
28	Excise Tax (2001)	-34				
29	Franchise Tax (2002)	557,747				
30	Franchise Tax (2003)			329,878	390,726	
31	California PUC Tax				-137	
32	California Gas Surcharge					
33	California Use Tax			516	516	
34	Total California	676,806		474,713	554,769	
35						
36	STATE OF ARIZONA:					
37	Income Tax (2001)	-4,226			4,901	
38	Total Arizona	-4,226			4,901	
39						
40						
41	TOTAL	22,522,183		93,152,431	65,754,732	-40,678,826

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
-854,485						1
216,117						2
20,153					160,362	3
55,143						4
20,499						5
-60,055					411,387	6
-1,254,350		695,082			593,263	7
						8
					1,277	9
-414,235						10
-34,244						11
-55,790						12
-63,885					-63,885	13
-115,964					277,290	14
214,906					1,793,430	15
-2,270,471		695,082			3,173,124	16
						17
						18
158,423						19
-142,429						20
26,863						21
-17,058					32,074	22
128,479					-1	23
-1,452					-5,358	24
6,350					60,336	25
-57,265					57,268	26
-2,163						27
-34						28
557,747						29
-60,847					329,878	30
137						31
						32
					516	33
596,751					474,713	34
						35
						36
-9,127						37
-9,127						38
						39
						40
9,241,055		67,187,950			25,964,481	41

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1	STATE OF TEXAS					
2	Unemployment Ins (2003)					
3	Total Texas					
4	STATE OF KENTUCKY					
5	Unemployment Ins (2003)					
6	Total Kentucky					
7	STATE OF VIRGINIA					
8	Unemployment Ins (2003)					
9	Total Virginia					
10	STATE OF WYOMING					
11	Unemployment Ins (2003)					
12	Total Wyoming					
13	STATE OF FLORIDA					
14	Unemployment Ins (2003)					
15	Total Florida					
16	STATE OF NEW YORK					
17	Unemployment Ins (2003)					
18	Total New York					
19						
20	COUNTY & MUNICIPAL					
21	Occupation	848,569		15,414,218	15,070,666	
22	Forrest Fire Protection					
23	Greenacres Irrigation					
24	City of Spokane PBIA				858	
25	WA Dept of Natural					
26	Spokane Utility Tax			17,970	17,765	
27	Misc.	-7		-87,969	16,432	
28	Total County	848,562		15,344,219	15,105,721	
29						
30	STATE OF ILLINOIS					
31	Unemployment Ins. 2003					
32	Total Illinois					
33	STATE OF UTAH					
34	Unemployment Ins. 2003					
35	Total Utah					
36						
37						
38						
39						
40						
41	TOTAL	22,522,183		93,152,431	65,754,732	-40,678,826

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
1,192,123		10,712,460			4,701,758	21
						22
						23
-858						24
						25
205		17,970				26
-104,408		-39,014			-48,955	27
1,087,062		10,691,416			4,652,803	28
						29
						30
						31
						32
						33
						34
						35
						36
						37
						38
						39
						40
9,241,055		67,187,950			25,964,481	41

Name of Respondent Avista Corp.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 04/30/2004	Year of Report Dec. 31, 2003

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in column (g).Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year		Allocations to Current Year's Income		Adjustments (g)
			Account No. (c)	Amount (d)	Account No. (e)	Amount (f)	
1	Electric Utility						
2	3%						
3	4%						
4	7%						
5	10%						
6							
7							
8	TOTAL						
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10	Gas Propertry (10%)	669,576			1411.40	49,308	
11							
12	TOTAL PROPERTY	669,576				49,308	
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
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43							
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46							
47							
48							

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (continued)

Balance at End of Year (h)	Average Period of Allocation to Income (i)	ADJUSTMENT EXPLANATION	Line No.
			1
			2
			3
			4
			5
			6
			7
			8
			9
620,268			10
			11
620,268			12
			13
			14
			15
			16
			17
			18
			19
			20
			21
			22
			23
			24
			25
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			29
			30
			31
			32
			33
			34
			35
			36
			37
			38
			39
			40
			41
			42
			43
			44
			45
			46
			47
			48

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.

2. Minor items (less than $100,000) may be grouped under approprate title.

Line No.	Item (a)	Balance at End of Year (b)
1	Misc. Liab -- Margin Call Deposit 242.05	19,000,000
2		
3	Hamilton St. Bridge (Gas Plant) Accrual 242.10	985,909
4		
5	Audit Expense Accrual 242.20	25,000
6		
7	FERC Administrative Fee Accrual 242.30,242.31	1,024,554
8		
9	WUTC Fee Accrual 242.40	0
10		
11	Non-monetary Power Exchange 242.50	176,019
12		
13	Misc. Liab -- Transmission Deposits 242.51	937,000
14		
15	Payroll Equalization 242.70	8,447,772
16		
17	Demand Side Mgmt Tariff Rider 242.71,72,73,74	(5,967,478)
18		
19	ESOP 401-K Plan 242.75	72,824
20		
21	Low Income Energy Assistance 242.76 & 242.77	1,803,220
22		
23	California Commission Fee 242.78	14,537
24		
25	OR Gas Limited Income (LIRAP) 242.79	67,168
26		
27	Workers Compensation Reg Liab 242.83	1,688,889
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41		
42		
43	TOTAL	28,275,414

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

OTHER DEFFERED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than $10,000, whichever is greater) may be grouped by classes.

Line No.	Description and Other Deferred Credits	Balance at Beginning of Year	DEBITS		Credits	Balance at End of Year
			Contra Account	Amount		
	(a)	(b)	(c)	(d)	(e)	(f)
1	Unearned Interest - Customer					
2	wiring & conversions 253.00	8,059	419	14,938	9,231	2,352
3						
4	Deferred revenue prepayment -					
5	Pacific Walla Walla/Enterprise					
6	Amort = 19 yrs 253.08	60,918	456	9,372		51,546
7						
8	CIT Oper Lease 253.09, 9/2006		931	19,638	127,649	108,011
9						
10	BPA C&RD Receipts 253.10	65,700		394,200	394,380	65,880
11						
12	Trust Fund - Centralia 253.11	890,418	186	1,553	4,224	893,089
13						
14	Rathdrum Refund 253.12	577,798	550	33,822		543,976
15	Amort =25 years, through 1/2020					
16						
17	Supplemental Executive	12,541,399	426, 228	1,363,362	2,023,358	13,201,395
18	Retirement Plan 253.29					
19						
20	Gain on Sale and leaseback	2,353,104	985	261,456		2,091,648
21	of Building (Amortization period					
22	is 25 years) 253.85 & 253.86					
23						
24	ID Clark Fork Relicensing 253.89	-391,349	419	538,018	511,824	-417,543
25						
26	Deferred Comp. 253.90,91,92	11,647,780	131, 930	1,322,499	1,881,508	12,206,789
27						
28	FAS5 Mark to Market 253.95	1,951,579	186,557	34,975,345	38,285,172	5,261,406
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47	TOTAL	29,705,406		38,934,203	43,237,346	34,008,549

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

ACCUMULATED DEFFERED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	166,886,421	5,786,348	
3	Gas	36,997,495	3,097,793	
4	General Common	11,713,914	-819,604	
5	TOTAL (Enter Total of lines 2 thru 4)	215,597,830	8,064,537	
6	Non-operating	2,391,875	3,299	
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	217,989,705	8,067,836	
10	Classification of TOTAL			
11	Federal Income Tax	211,443,459	7,248,540	
12	State Income Tax	6,546,246	819,297	
13	Local Income Tax			

NOTES

Name of Respondent Avista Corp.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 04/30/2004	Year of Report Dec. 31, 2003

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits		Credits			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
				236.00	26,184,288	198,857,057	2
				236.00	7,807,792	47,903,080	3
				236.00	4,971,675	15,865,985	4
					38,963,755	262,626,122	5
						2,395,174	6
							7
							8
					38,963,755	265,021,296	9
							10
						218,691,999	11
						7,365,543	12
							13

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

ACCUMULATED DEFFERED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3	Electric	123,350,947	-6,650,797	508,356
4				
5				
6				
7				
8				
9	TOTAL Electric (Total of lines 3 thru 8)	123,350,947	-6,650,797	508,356
10	Gas			
11	Gas	5,507,178	-2,096,825	
12				
13				
14				
15				
16				
17	TOTAL Gas (Total of lines 11 thru 16)	5,507,178	-2,096,825	
18	Other	133,359,117	-49,452	
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	262,217,242	-8,797,074	508,356
20	Classification of TOTAL			
21	Federal Income Tax			
22	State Income Tax			
23	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year	Line No.
		Debits		Credits			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)	(k)	
[redacted]							1
							2
2,703,177		182.32	719,868			118,175,103	3
		182.32	737,254			-737,254	4
							5
							6
							7
							8
2,703,177			1,457,122			117,437,849	9
[redacted]							10
79,869						3,490,222	11
							12
							13
							14
							15
							16
79,869						3,490,222	17
		182.31	6,681,869	182.32	737,254	127,365,050	18
2,783,046			8,138,991		737,254	248,293,121	19
[redacted]							20
							21
							22
							23

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

OTHER REGULATORY LIABILITIES (Account 254)

1. Reporting below the particulars (Details) called for concerning other regulatory liabilities which are created through the rate-making actions of regulatory agencies (and not includable in other amounts)
2. For regulatory Liabilities being amortized show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than $50,000, whichever is Less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	DEBITS Account Credited (b)	DEBITS Amount (c)	Credits (d)	Balance at End of Year (e)
1	Centralia Sale 254.11, 028 & 038	407.41	1,763,806		6,674,973
2					
3	FAS 109 - Accounting for Income Taxes 254.18	190.18	26,556		334,020
4					
5	Nez Perce - Regulatory Liability 254.22	186.80/557.2	22,008		880,436
6					
7	BPA Residential Exchange 254.45, 028	407.45	145,930		
8	BPA Residential Exchange 254.45, 038	407.45	45,835		16,333
9	BPA Residential Exchange 254.45, 098	182.45		1,679,445	1,679,445
10					
11	Mark to Market FAS133 - Reg Liab 254.74	176.74/245.7	83,976,277	77,154,171	3,442,499
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
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39					
40					
41	TOTAL		85,980,412	78,833,616	13,027,706

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account, and manufactured gas revenues in total.

2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.

3. Report number of customers, columns (f) and (g), on the basis of meter, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.

4. Report quantities of natural gas sold in Mcf (14.73 psia at 60 degrees F). If billings are on a therm basis, give the Btu contents of the gas sold and the sales converted to Mcf.

5. If increases or decreases from previous year (columns (c), (e) and (g), are not derived from previously

Line No.	Title of Account (a)	OPERATING REVENUES Amount for Year (b)	OPERATING REVENUES Amount for Previous Year (c)
1	GAS SERVICE REVENUES		
2	(480) Residential Sales	166,925,006	183,963,929
3	(481) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 6)	90,522,719	104,973,791
5	Large (or Ind.) (See Instr. 6)	7,474,713	7,126,920
6	(482) Other Sales to Public Authorities		
7	(484) Interdepartmental Sales	348,901	499,585
8	TOTAL Sales to Ultimate Consumers	265,271,339 (1)	296,564,225
9	(483) Sales for Resale	279,638	694,944
10	TOTAL Nat. Gas Service Revenues	265,550,977	297,259,169
11	Revenues from Manufactured Gas		
12	TOTAL Gas Service Revenues	265,550,977	297,259,169
13	OTHER OPERATING REVENUES		
14	(485) Intracompany Transfers		
15	(487) Forfeited Discounts		
16	(488) Misc. Service Revenues	223,829	251,976
17	(489) Rev. from Trans. of Gas of Others	8,539,920	9,695,204
18	(490) Sales of Prod. Ext. from Nat. Gas		
19	(491) Rev. from Nat. Gas Proc. by Others		
20	(492) Incidental Gasoline and Oil Sales		
21	(493) Rent from Gas Property		
22	(494) Interdepartmental Rents		
23	(495) Other Gas Revenues	2,974,051	2,616,164
24	TOTAL Other Operating Revenues	11,737,800	12,563,344
25	TOTAL Gas Operating Revenues	277,288,777	309,822,513
26	(Less) (496) Provision for Rate Refunds		
27	TOTAL Gas Operating Revenues Net of Provision for Refunds	277,288,777	
28	Dis. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.)	257,447,725	
29	Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities)	7,474,713	
30	Sales for Resale	279,638	
31	Other Sales to Pub. Auth. (Local Dist. Only)		
32	Interdepartmental Sales	348,901	
33	TOTAL (Same as Line 10, Columns (b) and (d))	265,550,977	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

GAS OPERATING REVENUES (Account 400) (Continued)

reported figures, explain any inconsistencies in a footnote.

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 200,000 Mcf per year or approximately 800 Mcf per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

7. See page 108, Important Changes During Year, for important new territory added and important rate increases or decreases.

THERMS OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUSTRS. PER MO.		
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	Line No.
				1
198,471,049	199,686,485	261,063	254,700	2
				3
122,115,272	126,219,715	31,312	30,823	4
12,736,380	11,242,261	310	315	5
				6
517,438	631,864	37	38	7
333,840,139 (2)	337,780,325	292,722	285,876	8
675,000	2,306,160	1	1	9
334,515,139	340,086,485	292,723	285,877	10

NOTES

Quantities of natural gas expressed in therms:
to convert therms to MCF, divide therms by a
BTU factor of 10.20

(1) Includes $ 4,831,879 unbilled revenues.

(2) Includes 2,720,144 therms relating to unbilled revenues.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

DISTRIBUTION TYPE SALES BY STATES

1. Report in total for each State, sales by classes of service. Report main line sales to residential and commercial consumers in total by States. Do not include field and main line sales to industrial consumers; these should be reported on page 306, Field and Main Line Industrial Sales of Natural Gas.

Line No.	Names of State (a)	Total Residential, Commerical and Industrial: Operating Revenues (Total of (d), (f) and (h)) (b)	Total Residential, Commerical and Industrial: Therms (Total of (e), (g) and (i)) (c)	Residential: Operating Revenues (d)
1	State of Washington	132,051,367	166,715,177	82,716,711
2	State of Idaho	51,225,091	64,057,935	32,545,885
3	State of Oregon	64,547,450	81,506,529	39,788,372
4	State of California	17,098,530	21,043,060	11,874,038
5				
6	Totals	264,922,438	333,322,701	166,925,006
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

DISTRIBUTION TYPE SALES BY STATES (Continued)

2. Provide totals for sales within each State.
3. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas. State in a footnote the components of mixed gas, i.e., whether natural and oil refinery gases, natural and coke oven gases, etc., and specify the appproximate percentage of natural gas in the mixture.

Residential (Continued)	Commerical		Industrial		
Therms (e)	Operating Revenues (f)	Therms (g)	Operating Revenues (h)	Therms (i)	Line No.
98,644,765	46,202,878	63,204,517	3,131,778	4,865,895	1
39,099,380	17,432,929	23,165,338	1,246,277	1,793,217	2
46,079,738	21,662,420	29,349,523	3,096,658	6,077,268	3
14,647,166	5,224,492	6,395,894	0	0	4
					5
198,471,049	90,522,719	122,115,272	7,474,713	12,736,380	6
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	December 31, 2003

GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Amount (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production	0	0
3	Manufactured Gas Production (Submit Supplemental Statement)		
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation		
7	750 Operation Supervision and Engineering		
8	751 Production Maps and Records		
9	752 Gas Wells Expenses		
10	753 Field Lines Expenses		
11	754 Field Compressor Station Expenses		
12	755 Field Compressor Station Fuel and Power		
13	756 Field Measuring and Regulating Station Expenses		
14	757 Purification Expenses		
15	758 Gas Well Royalties		
16	759 Other Expenses		
17	760 Rents		
18	TOTAL Operation (Enter Total of lines 7 thru 17)	0	0
19	Maintenance		
20	761 Maintenance Supervision and Engineering		
21	762 Maintenance of Structures and Improvements		
22	763 Maintenance of Producing Gas Wells		
23	764 Maintenance of Field Lines		
24	765 Maintenance of Field Compressor Station Equipment		
25	766 Maintenance of Field Meas. and Reg. Sta. Equipment		
26	767 Maintenance of Purification Equipment		
27	768 Maintenance of Drilling and Cleaning Equipment		
28	769 Maintenance of Other Equipment		
29	TOTAL Maintenance (Enter Total of lines 20 thru 28)	0	0
30	TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29)	0	0
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering		
34	771 Operation Labor		
35	772 Gas Shrinkage		
36	773 Fuel		
37	774 Power		
38	775 Materials		
39	776 Operation Supplies and Expenses		
40	777 Gas Processed by Others		
41	778 Royalties on Products Extracted		
42	779 Marketing Expenses		
43	780 Products Purchased for Resale		
44	781 Variation in Products Inventory		
45	(Less) 782 Extracted Products Used by the Utility-Credit		
46	783 Rents		
47	TOTAL Operation (Enter Total of Lines 33 thru 46)	0	0

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GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Amount (a)	Amount for Current Year (b)	Amount for Previous Year (c)
	B2. Products Extraction (Continued)		
48	Maintenance		
49	784 Maintenance Supervision and Engineering		
50	785 Maintenance of Structures and Improvements		
51	786 Maintenance of Extraction and Refining Equipment		
52	787 Maintenance of Pipe Lines		
53	788 Maintenance of Extracted Products Storage Equipment		
54	789 Maintenance of Compressor Equipment		
55	790 Maintenance of Gas Measuring and Reg. Equipment		
56	791 Maintenance of Other Equipment		
57	TOTAL Maintenance (Enter Total of lines 49 thru 56)	0	0
58	TOTAL Products Extraction (Enter Total of lines 47 and 57)	0	0
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals		
62	796 Nonproductive Well Drilling		
63	797 Abandoned Leases		
64	798 Other Exploration		
65	TOTAL Exploration and Development (Enter Total of lines 61 thru 64)	0	0
	D. Other Gas Supply Expenses		
66	Operation		
67	800 Natural Gas Well Head Purchases	0	0
68	800.1 Natural Gas Well Head Purchases, Intracompany Transfers	0	0
69	801 Natural Gas Field Line Purchases	0	0
70	802 Natural Gas Gasoline Plant Outlet Pruchases	0	0
71	803 Natural Gas Transmission Line Purchases	-	-
72	804 Natural Gas City Gate Purchases	189,992,110	170,443,279
73	804.1 Liquefied Natural Gas Purchases	-	-
74	805 Other Gas Purchases	(9,237,733)	150,713
75	(Less) 805.1 Purchased Gas Cost Adjustments	-	42,229,253
76			
77	TOTAL Purchased Gas (Enter Total of lines 67 to 76)	180,754,377	212,823,245
78	806 Exchange Gas	0	
79	Purchased Gas Expenses		
80	807.1 Well Expenses-Purchased Gas	0	0
81	807.2 Operation of Purchased Gas Measuring Stations	0	0
82	807.3 Maintenance of Purchased Gas Measuring Stations	0	0
83	807.4 Purchased Gas Calculations Expenses	318,297	212,466
84	807.5 Other Purchased Gas Expenses	-	91,114
85	TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84)	318,297	303,580
86	808.1 Gas Withdrawn from Storage-Debit	-	(113,552)
87	(Less) 808.2 Gas Delivered to Storage-Credit	(76,888)	181,476
88	809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit	0	0
89	(Less) 809.2 Deliveries of Natural Gas for Processing-Credit	0	0
90	Gas Used in Utility Operations-Credit		
91	810 Gas Used for Compressor Station Fuel-Credit	0	0
92	811 Gas Used for Products Extraction-Credit	0	0
93	812 Gas used for Other Utility Operations-Credit	0	0
94	TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93)	0	0
95	813 Other Gas Supply Expenses	319,069	300,084
96	TOTAL Other Gas Supply Exp (Total of lines 77,78,85,86 thru 89,94,95)	181,314,855	213,494,832
97	TOTAL Production Expenses (Enter Total of lines 3,30,58,65, and 96)	181,314,855	213,494,832

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GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Amount *(a)*	Amount for Current Year *(b)*	Amount for Previous Year *(c)*
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	15,153	(4,013)
102	815 Maps and Records	-	0
103	816 Wells Expenses	-	9,984
104	817 Lines Expense	-	6
105	818 Compressor Station Expenses	-	58,007
106	819 Compressor Station Fuel and Power	-	7,706
107	820 Measuring and Regulating Station Expenses	-	3,041
108	821 Purification Expenses	-	0
109	822 Exploration and Development	-	0
110	823 Gas Losses	-	0
111	824 Other Expenses	228,242	63,344
112	825 Storage Well Royalties	-	29,607
113	826 Rents	-	(1,146)
114	TOTAL Operation (Enter Total of lines 101 thru 113)	243,395	166,536
115	Maintenance		
116	830 Maintenance Supervision and Engineering	0	31,270
117	831 Maintenance of Structures and Improvements	0	1,972
118	832 Maintenance of Reservoirs and Wells	0	30,872
119	833 Maintenance of Lines	0	2,507
120	834 Maintenance of Compressor Station Equipment	0	66,968
121	835 Maintenance of Measuring and Regulating Station Equipment	0	0
122	836 Maintenance of Purification Equipment	0	1,735
123	837 Maintenance of Other Equipment	220,501	55,268
124	TOTAL Maintenance (Enter Total of lines 116 thru 123)	220,501	190,592
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	463,896	357,128
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering		
129	841 Operation Labor and Expenses		
130	842 Rents		
131	842.1 Fuel		
132	842.2 Power		
133	842.3 Gas Losses		
134	TOTAL Operation (Enter Total of lines 128 thru 133)	0	0
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering		
137	843.2 Maintenance of Structures and Improvements		
138	843.3 Maintenance of Gas Holders		
139	843.4 Maintenance of Purification Equipment		
140	843.5 Maintenance of Liquefaction Equipment		
141	843.6 Maintenance of Vaporizing Equipment		
142	843.7 Maintenance of Compressor Equipment		
143	843.8 Maintenance of Measuring and Regulating Equipment		
144	843.9 Maintenance of Other Equipment		
145	TOTAL Maintenance (Enter Total of lines 136 thru 144)	0	0
146	TOTAL Other Storage Expenses (Enter Total of lines 134 and 145)	0	0

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GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Amount (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering		
150	844.2 LNG Processing Terminal Labor and Expenses		
151	844.3 Liquefaction Processing Labor and Expenses		
152	844.4 Liquefaction Transportation Labor and Expenses		
153	844.5 Measuring and Regulating Labor and Expenses		
154	844.6 Compressor Station Labor and Expenses		
155	844.7 Communication System Expenses		
156	844.8 System Control and Load Dispatching		
157	845.1 Fuel		
158	845.2 Power		
159	845.3 Rents		
160	845.4 Demurrage Charges		
161	(Less) 845.5 Wharfage Receipts-Credit		
162	845.6 Processing Liquefied or Vaporized Gas by Others		
163	846.1 Gas Losses		
164	846.2 Other Expenses		
165	TOTAL Operation (Enter Total of lines 149 thru 164)	0	0
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering		
168	847.2 Maintenance of Structures and Improvements		
169	847.3 Maintenance of LNG Processing Terminal Equipment		
170	847.4 Maintenance of LNG Transportation Equipment		
171	847.5 Maintenance of Measuring and Regulating Equipment		
172	847.6 Miantenance of Compressor Station Equipment		
173	847.7 Maintenance of Communication Equipment		
174	847.8 Maintenance of Other Equipment		
175	TOTAL Maintenance (Enter Total of lines 167 thru 174)	0	0
176	TOTAL Liquefied Nat Gas Terminaling and Processing Exp (Lines 165 & 175)	0	0
177	TOTAL Natural Gas storage (Enter Total of lines 125, 146, and 176)	463,896	357,128
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	0	0
181	851 System Control and Load Dispatching	0	0
182	852 Communication System Expenses	0	0
183	853 Compressor Station Labor and Expenses	0	0
184	854 Gas for Compressor Station Fuel	0	0
185	855 Other Fuel and Power for Compressor Stations	0	0
186	856 Mains Expenses	0	0
187	857 Measuring and Regulating Station Expenses	0	0
188	858 Transmission and Compression of Gas by Others	0	0
189	859 Other Expenses	0	0
190	860 Rents	0	0
191	TOTAL Operation (Enter Total of lines 180 thru 190)	0	0

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GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Amount *(a)*	Amount for Current Year *(b)*	Amount for Previous Year *(c)*
	3. TRANSMISSION EXPENSES (Continued)		
192	Maintenance		
193	861 Maintenance Supervision and Engineering	0	0
194	862 Maintenance of Structures and Improvements	0	0
195	863 Maintenance of Mains	0	0
196	864 Maintenance of Compressor Station Equipment	0	0
197	865 Maintenance of Measuring and Reg. Station Equipment	0	0
198	866 Maintenance of Communication Equipment	0	-1,777
199	867 Maintenance of Other Equipment	0	0
200	TOTAL Maintenance (Enter Total of lines 193 thru 199)	0	-1,777
201	TOTAL Transmission Expenses (Enter Total of lines 191 and 200)	0	-1,777
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	913,244	551,020
205	871 Distribution Load Dispatching	3,413	0
206	872 Compressor Station Labor and Expenses	0	0
207	873 Compressor Station Fuel and Power	0	0
208	874 Mains and Services Expenses	2,945,577	2,920,726
209	875 Measuring and Regulating Station Expenses-General	66,970	59,448
210	876 Measuring and Regulating Station Expenses-Industrial	638	1,958
211	877 Measuring and Regulating Station Expenses-City Gate Check Station	102,072	87,906
212	878 Meter and House Regulator Expenses	1,491,133	1,537,662
213	879 Customer Installations Expenses	1,777,084	1,663,395
214	880 Other Expenses	1,536,942	1,487,755
215	881 Rents	19,500	113,369
216	TOTAL Operation (Enter Total of lines 204 thru 215)	8,856,573	8,423,239
217	Maintenance		
218	885 Maintenance Supervision and Engineering	57,543	35,332
219	886 Maintenance of Structures and Improvements	1,695	4,577
220	887 Maintenance of Mains	2,028,496	1,317,915
221	888 Maintenance of Compressor Station Equipment	0	0
222	889 Maintenance of Meas. and Reg. Sta. Equip.-General	446,691	359,632
223	890 Maintenance of Meas. and Reg. Sta. Equip.-Industrial	176,714	151,478
224	891 Maintenance of Meas. and Reg. Sta. Equip.-City Gate Check Station	41,310	46,853
225	892 Maintenance of Services	532,764	273,338
226	893 Maintenance of Meters and House Regulators	557,024	539,776
227	894 Maintenance of Other Equipment	19,619	30,081
228	TOTAL Maintenance (Enter Total of lines 218 thru 227)	3,861,856	2,758,983
229	TOTAL Distribution Expenses (Enter Total of lines 216 and 228)	12,718,429	11,182,223
230	5. CUSTOMER ACCOUNTS EXPENSES		
231	Operation		
232	901 Supervision	72,694	88,559
233	902 Meter Reading Expenses	2,000,754	1,896,434
234	903 Customer Records and Collection Expenses	5,821,781	5,425,787
235	904 Uncollectible Accounts	753,587	1,746,963
236	905 Miscellaneous Customer Accounts Expenses	429,906	616,857
237	TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236)	9,078,722	9,774,600

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GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Amount (a)	Amount for Current Year (b)	Amount for Previous Year (c)
238	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
239	Operation		
240	907 Supervision	0	0
241	908 Customer Assistance Expenses	3,718,098	3,115,433
242	909 Informational and Instructional Expenses	104,533	87,332
243	910 Miscellaneous Customer Service and Informational Expenses	47,014	105,585
244	TOTAL Customer Service and Information Expenses (Lines 240 thru 243)	3,869,645	3,308,350
245	7. SALES EXPENSES		
246	Operation		
247	911 Supervision	23,836	11,529
248	912 Demonstrating and Selling Expenses	654,164	507,687
249	913 Advertising Expenses	190,041	106,461
250	916 Miscellaneous Sales Expenses	52,253	71,230
251	TOTAL Sales Expenses (Enter Total of lines 247 thru 250)	920,294	696,907
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Salaries	5,840,466	5,138,786
255	921 Office Supplies and Expenses	2,267,359	2,183,794
256	(Less) (922) Administrative Expenses Transferred-Cr.	-5,727	(6,611)
257	923 Outside Services Employed	2,986,197	3,332,309
258	924 Property Insurance	367,023	239,077
259	925 Injuries and Damages	968,396	877,947
260	926 Employee Pensions and Benefits	615,880	437,843
261	927 Franchise Requirements	0	0
262	928 Regulartory Commission Expenses	1,365,580	1,213,921
263	(Less) (929) Duplicate Charges-Cr.	0	0
264	930.1 General Advertising Expenses	0	640
265	930.2 Miscellaneous General Expenses	936,072	1,001,574
266	931 Rents	2,175,701	2,198,246
267	TOTAL Operation (Enter Total of lines 254 thru 266)	17,516,947	16,617,526
268	Maintenance		
269	935 Maintenance of General Plant	1,054,604	960,335
270	TOTAL Administrative and General Exp (Total of lines 267 and 269)	18,571,551	17,577,860
271	TOTAL Gas O. and M. Exp (Lines 97,177,201,229,237,244,251,and 270)	226,937,392	256,390,122

NUMBER OF GAS DEPARTMENT EMPLOYEES

1. The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.

2. If the respondent's payroll for the reporting period includes any special constrction personnel, include such employees on line 3, and show the number of such special construction employees in a foonote.

3. The number of employees assignable to the gas department from joint function of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.

1. Payroll Period Ended (Date) December 31, 2003	
2. Total Regular Full-Time Employees	350
3. Total Part-Time and Temporary Employees allocation of General Employees	54
4. Total Employees	404

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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Other Gas Supply Expenses (Account 813)

1 Report other gas supply expenses by descriptive titles that clearly indicate the nature of such expenses. Show maintenance expenses, revaluation of monthly encroachments recorded in Account 117.4 and losses on settlements of imbalances and gas losses not associated with storage separately. Indicate the functional classification and purpose of property to which any expenses relate. List separately items of $250,000 or more.

Line No.	Description *(a)*	Amount (in Dollars) *(b)*
1	Gas Resource Management	
	Labor	114,062
2	Transportation	571
	Misc. Other Expenses (Phone Bills, Professional Services, Gas Reports, Travel, Etc.)	13,590
3		
4	Canadian Regulatory Affairs	
	Labor	46,714
5	Misc. Other Expenses (Phone Bills, Professional Services, Gas Reports, Travel, Etc.)	3,985
6	Send Out Modeling	
	Maintenance Fees	0
7		
8	FERC Gas Case	
	Labor	51,091
9	Misc. Other Expenses (Phone Bills, Professional Services, Postage, Etc.)	87,511
10	Departmental Administration	22
11		
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19		
20	TOTAL	317,545

Name of Respondent	This report is:	Date of Report	Year of Report
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MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

1. Provide the information requested below on miscellaneous general expenses.

2. For Other Expenses, show the (a) purpose, (b) recipient and (c) amount of such items. List separately amounts of $250,000 or more however, amounts less than $250,000 may be grouped if the number of items of so grouped is shown.

Line No.	Description (a)	WA/ID Ret	WA/ID Exp	OR/CA Ret	OR/CA Exp		Amount (b)
1	Industry Association Dues **(0930.25)**						90,575
2	Experimental and General Research Expenses a. Gas Research Institute (GRI) b. Other						
3	Publishing and Distributing Information and Reports to Stockholders; Trustee, Registrar and Transfer Agent Fees and Expenses, and Other Expenses of Servicing Outstanding Securities of the Respondent						349,766
4	Other Expenses						
5							
6	**Directors Fees and Expenses (0930.27)**	WA/ID Ret	WA/ID Exp	OR/CA Ret	OR/CA Exp		
7	Erik J. Anderson	6,687	155	3,356	78		10,276
8	Kristianne Blake	9,608	43	4,823	21		14,495
9	David A. Clack	7,604	266	3,817	133		11,820
10	Sarah M. R. Jewell	1,714	91	861	46		2,712
11	Jessie Knight	5,126	1,007	2,573	505		9,211
12	John F. Kelly	5,999	394	3,011	198		9,602
13	Lura J. Powell	6,382	283	3,203	142		10,010
14	Row Lewis Eiguren	6,152	325	3,088	163		9,728
15	R. John Taylor	7,088	75	3,558	37		10,758
16							
17	Total	56,360	2,639	28,290	1,323		
18						88,612	
19							
20	**Miscellaneous General Expenses (0930.20)**						
21	Labor						191,317
22	2 Items Under $5000						-2,585
23							
24	Total					188,732	
25							
26							
27							
28							
29	**Community Relations (0930.22)**						
30	Labor						132,964
31	161 Items Under $5000						17,954
32							
33	Total					150,918	
34							
35	**Educational - Informational (0930.23)**						
36	Labor						29,853
37	6 Items Under $5000						588
38						30,441	
39							
40	**Other Miscellaneous General Expenses (0930.29)**						
41	Labor						35
42	10 Items Under $5000						1,055
43							
44						1,090	
45	**Other Miscellaneous General Labor (0930.26-28)**						
46	93027						29,934
47							
48	Total					29,934	
49							
50	TOTAL						930,068

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DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accounts 403, 404.1, 404.2, 404.3, 404.6, 405)
(Except Amortization of Acquisition Adjustments)

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.

2. Report all available information called for in Section B for the report year 1971, 1974 and every fifth year thereafter. Report only annual changes in the intervals between the report years (1971, 1974 and every fifth year thereafter).

Report in column (b) all depreciable plant balances to which rates are applied and show a composite total. (If more desirable, report by plant account, subaccount or functional classifications other than those pre-printed in column (a). Indicate at the bottom of Section B the

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization and Depletion of Producing Natural Gas Land and Land Rights (Account 404.1) (c)	Amortization of Underground Storage, Land, Land Rights and Misc. Intang (Account 404.2) (d)
1	Intangible plant			2,505
2	Prodution plant, manufactured gas	14,179		
3	Production and gathering plant, natural gas			
4	Products extraction plant			
5	Undergound gas storage plant	420,357		
6	Other storage plant			
7	Base load LNG terminating and processing plant			
8	Transmission plant	0		
9	Distribution plant	12,792,499		
10	General plant	465,628		
11	Common General plant-Allocated	1,481,160		
12				
13				
14				
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16				
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18				
19				
20				
21				
22				
23				
24				
25	TOTAL	15,173,823	0	2,505

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Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Accounts 403, 404.1, 404.2, 404.3, 404.6, 405) (Except Amortization of Acquistion Adjustments) (Continued)

manner in which column (b) balances are obtained. If average balances, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used. Report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine depreciation charges, show at the bottom of Section B any revisions made to estimated gas reserves.

3. If provisions for deprciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of Section B the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Amortization of Other Limited-term Gas Plant (Account 404.3) *(e)*	Amortization of Leasehold Improvements (Account 404.6) *(f)*	Amortization of Other Gas Plant (Account 405) *(g)*	Total (b to g) *(h)*	Functional Classification (a)	Line No.
580,782			583,287	Intangible plant	1
			14,179	Prodution plant, manufactured gas	2
				Production and gathering plant, natural gas	3
				Products extraction plant	4
			420,357	Undergound gas storage plant	5
				Other storage plant	6
				Base load LNG terminating and processing plant	7
			0	Transmission plant	8
			12,792,499	Distribution plant	9
			465,628	General plant	10
557,585	220,421		2,259,166	Common general plant-Allocated	11
					12
					13
					14
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					22
					23
					24
1,138,367	220,421	0	16,535,116	TOTAL	25

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	April 28, 2004	complete Dec. 31, 2003

Line No.	Functional Classification (a)	Depreciable Plant Base (Thousands) (b) (1)	Applied Depr. Rate(s) (Percent) (c)
	Underground Gas Storage Plant: (2)		
1			
2	350	24	2.05%
3	351	1,063	1.75%
4	352	5,656	2.00%
5	352.2	209	2.53%
6	352.1 (Leasehold Improvements)	254	2.22%
7	352.3	6,122	2.54%
8	353	823	2.06%
9	354	1,908	2.32%
10	355	154	2.66%
11	356	404	2.97%
12	357	1,638	2.77%
13	Total	18,256	
14			
15	Production - Manufactured Gas:		
16	2305	0	2.80%
17	2311	46	1.80%
18	Total	46	
19	Transmission Plant:		
20	2366	0	2.60%
21	2367	0	2.60%
22	2369	0	3.45%
23	2370	0	7.10%
24	Total	0	
25	Distribution Plant:		
26	375.1	621	2.19%
27	376	221,179	2.38%
28	378	4,325	2.13%
29	379	1,779	2.24%
30	380	159,220	2.67%
31	381	50,164	1.94%
32	382	0	2.07%
33	383	0	2.27%
34	384	0	2.53%
35	385	2,485	2.43%
36	387	1	5.40%
37	Total	439,773	
38	Intangible	3,123	2.00%
39	General Plant:		
40	390.1	2,332	2.14%
41	390.2	12	2.00%
42	391.1	10	6.30%
43	393	84	2.40%
44	394	2,201	4.96%
45	395	890	4.48%
46	397	1,605	8.76%
47	398	34	2.59%
48	Total	7,168	
49	Total Gas Plant	468,366	

Name of Respondent	This report is:	Date of Report	Year of Report
	(1) (X)An Origin	(Mo, Da, Yr)	
Avista Corp.	(2) ( ) A Resubm	April 30, 2004	Dec. 31, 2003

Particulars Concerning Certain Income Deduction and Interest Charges Accounts

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts.(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization. (b) Miscellaneous Income Deductions-Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less the $250,000 may be grouped by classes within the above accounts. (c) Interest on Debt to Associated Companies (Account 430)-For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

Line No.	Description *(a)*	Amount *(b)*
1	Acct. 425.00 - MISCELLANEOUS AMORTIZATIONS	
2	Gas plant acquisition adj. Applicable to purchase of CP National,	
3	Oregon & California distribution system. Contra account 115.00.	1,323,416
4	Total - 425.00	
5		
6	Acct. 426.10 - DONATIONS	
7	El Dorado County (Project Share)	15,000
8	University of Washington	20,000
9	Spokane Neighborhood Action	200,000
10	Inland Empire Residential Resources	40,000
11	Valley Vision	15,000
12	Items Under $15,000	176,094
13	Total 426.10	466,094
14		
15	Acct. 426.20 - LIFE INSURANCE	
16	Officers Life	112,813
17	SERP	1,223,358
18	Total 426.20	1,336,171
19		
20	Acct. 426.30 - PENALTIES	
21	Gas Safety Audit Fine	(31,000)
22	Items Under $500	1,022
23	Total 426.30	(29,978)
24		
25	Acct. 426.40 - EXPENDITURES FOR CERTAIN CIVIC, POLITICAL,	
26	AND RELATED ACTIVITIES	
27	National Governors Association	50,000
28	Legal Services	174,215
29	Items Under $50,000	592,627
30	Total 426.40	816,842
31		
32		
33	Acct. 426.50 - OTHER DEDUCTIONS	
34	Property Disposition	11,769
35	Kettle Falls Reserve Amortization	-228,480
36	Executive Deferred Compensation	1,258,915
37	Cash Reduction for PGE Monetization	88,125
38	Accelerated vesting of stock options	140,610
39	Total 426.50	1,270,939
40		
41		

Name of Respondent	This report is:	Date of Report	Year of Report
	(1) (X)An Origin	(Mo, Da, Yr)	
Avista Corp.	(2) ( ) A Resubm	April 30, 2004	Dec. 31, 2003

Particulars Concerning Certain Income Deduction and Interest Charges Accounts

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts.(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization. (b) Miscellaneous Income Deductions-Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less the $250,000 may be grouped by classes within the above accounts. (c) Interest on Debt to Associated Companies (Account 430)-For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

Line No.	Description *(a)*	Amount *(b)*
1	Acct. 431.00 - OTHER INTEREST EXPENSE	
2	Customer Deposits	67,923
3	Misc. Oregon Deferrals and Amortizations	34,715
4	Interest, WA PGA	(109,144)
5	Interest, ID PGA	656
6	Capital lease interest	88,945
7	Interest on DSM Program Liability	123,017
8	Misc. Interest	53,956
9	Executive Deferred Compensation	60,200
10		
11		
12	Total 431.00	320,268
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Name of Respondent	This report is:	Date of Report (Mo, Da, Yr)	Year Ending
Avista Corp.	[X] An Original [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

REGULATORY COMMISSION EXPENSES (Account 928)

1. Report below details of regulatory commission expenses incurred during the current year (or in previous year, if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.

2. In column (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.

Line No.	Description *(Furnish name of regulatory commission or body, the docket number, and a description of the case.)* (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	FEDERAL ENERGY REGULATORY COMMISSION				
2	FERC Cases Doc #s:CP01-141 & 438,CP02-4,CP03-31 & 32,				
3	RM96-1,RP99-518,RP00-414,RP02-362&455,RP03-7,41,70,95				
4	272,403,404,436,483,501,556,573,574,577,597 & 600, RP 04-15				
5	16,23,28,31,51,82,85 & 86	2,150,208	7,425	2,157,633	
6					
7	WASHINGTON UTILITIES & TRANSPORTATION				
8	Misc. Electric-Docket #s: 31914,31905,31797,31734,31619,31553				
9	31408,31247,31176,31096,31095,31031,30938,30937,30762,				
10	30751,30706,30631,30608,30598,30596,30583,30449,30431,				
11	& 30348	578,571	331,472	910,043	
12					
13	Misc. Gas - Docket #s: 32148,31798,31735,31620,31590,31554,				
14	31631,31303,31253,31252,30829,30763,30672,30632,30609,				
15	30599,30584,30432,30349,30192,21639,21584,20575,20226,				
16	& 20218	287,300	228,802	516,102	
17					
18	IDAHO PUBLIC UTILITIES COMMISSION				
19	Misc. Electric- Docket #s:AVU-E-03-7,AVU-E-02-8,AVU-E-03-1				
20	AVU-E-03-2,AVU-E-03-4,AVU-E-03-5,AVU-E-03-6, 8 & 9				
21	Advice #s: 03-01-E, & 03-02-E				
22	General Docket #: GNR-E-03-2	367,858	264,988	632,846	
23					
24	Misc. Gas - Docket #s:AVU-G-03-1 & AVU-G-03-2				
25	Advice #s: 03-01-G & 03-02-G	143,493	99,303	242,796	
26					
27	OREGON PUBLIC UTILITIES COMMISSION				
28	Docket #s: UM-734,UM-903,UM-1099,UM-1115,UG153/154				
29	AR-357,AR-452,AR-427,AR-428,UF-4198,UF-4079, LC-35				
30	UCR-35 Misc Advice #s: 03-1-G,03-2-G (Suppl) & 03-4-G	214,606	265,172	479,778	
31					
32	CALIFORNIA PUBLIC UTILITIES COMMISSION				
33	Rulemaking: 02.10.01,01.08.027,01.05.047,03.03.017,.03.09.006				
34	Resolutions: G-3342,G-3329,G-3303				
35	Decisions: 02.01.040,02.07.033,01.06.010,01.08.065				
36	Advice #s: C-51-G,C-52-G,C-53-G,C-54-G,C-55-G,C-56-G				
37	C-57-G & C-58-G	47,022	79,882	126,904	
38					
39	TOTAL	1,638,850	1,277,044	5,066,102	

Name of Respondent	This report is:	Date of Report (Mo, Da, Yr)	Year Ending
Avista Corp.	[X] An Original [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

REGULATORY COMMISSION EXPENSES (Account 928)

3. Show in column (k) any expenses incurred in prior years that are being amortized. List in column (a) the period of amortization.
4. Identify separately all annual charge adjustments (ACA).
5. List in column (f), (g), and (h) expenses incurred during year which were charges currently to income, plant, or other accounts.
6. Minor items (less than $250,000) may be grouped.

EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR			
CHARGED CURRENTLY TO							
Department	Account No.	Amount	Deferred to Account 182.3	Contra Account	Amount	Deferred in Account 182.3 End of Year	Line No.
(f)	(g)	(h)	(i)	(j)	(k)	(l)	
							1
							2
							3
							4
Electric	0928	2,157,633					5
							6
							7
							8
							9
							10
Electric	0928	910,043					11
							12
							13
							14
							15
Gas	1928	516,102					16
							17
							18
							19
							20
							21
Electric	0928	632,846					22
							23
							24
Gas	1928	242,796					25
							26
							27
							28
							29
Gas	2928	479,778					30
							31
							32
							33
							34
							35
							36
Gas	2928	126,904					37
							38
							39

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	7,873,170		
4	Transmission	1,756,699		
5	Distribution	5,240,483		
6	Customer Accounts	4,614,178		
7	Customer Service and Informational	65,546		
8	Sales	637,433		
9	Administrative and General	10,042,360		
10	TOTAL Operation (Enter Total of lines 3 thru 9)	30,229,869		
11	Maintenance			
12	Production	2,785,485		
13	Transmission	693,991		
14	Distribution	4,049,693		
15	Administrative and General	767,388		
16	TOTAL Maint. (Total of lines 12 thru 15)	8,296,557		
17	Total Operation and Maintenance			
18	Production (Enter Total of lines 3 and 12)	10,658,655		
19	Transmission (Enter Total of lines 4 and 13)	2,450,690		
20	Distribution (Enter Total of lines 5 and 14)	9,290,176		
21	Customer Accounts (Transcribe from line 6)	4,614,178		
22	Customer Service and Informational (Transcribe from line 7)	65,546		
23	Sales (Transcribe from line 8)	637,433		
24	Administrative and General (Enter Total of lines 9 and 15)	10,809,748		
25	TOTAL Oper. and Maint. (Total of lines 18 thru 24)	38,526,426	1,473,556	39,999,982
26	Gas			
27	Operation			
28	Production-Manufactured Gas			
29	Production-Nat. Gas (Including Expl. and Dev.)			
30	Other Gas Supply	362,661		
31	Storage, LNG Terminaling and Processing			
32	Transmission			
33	Distribution	5,278,436		
34	Customer Accounts	3,916,985		
35	Customer Service and Informational	113,621		
36	Sales	426,769		
37	Administrative and General	4,211,354		
38	TOTAL Operation (Enter Total of lines 28 thru 37)	14,309,826		
39	Maintenance			
40	Production-Manufactured Gas			
41	Production-Natural Gas			
42	Other Gas Supply			
43	Storage, LNG Terminaling and Processing			
44	Transmission			
45	Distribution	1,760,860		
46	Administrative and General	209,317		
47	TOTAL Maint. (Enter Total of lines 40 thru 46)	1,970,177		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2004	Dec. 31, 2003

DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Total Operation and Maintenance			
49	Production-Manufactured Gas (Enter Total of lines 28 and 40)			
50	Production-Natural Gas (Including Expl. and Dev.) (Total lines 29,			
51	Other Gas Supply (Enter Total of lines 30 and 42)	362,661		
52	Storage, LNG Terminaling and Processing (Total of lines 31 thru			
53	Transmission (Lines 32 and 44)			
54	Distribution (Lines 33 and 45)	7,039,296		
55	Customer Accounts (Line 34)	3,916,985		
56	Customer Service and Informational (Line 35)	113,621		
57	Sales (Line 36)	426,769		
58	Administrative and General (Lines 37 and 46)	4,420,671		
59	TOTAL Operation and Maint. (Total of lines 49 thru 58)	16,280,003	522,360	16,802,363
60	Other Utility Departments			
61	Operation and Maintenance			
62	TOTAL All Utility Dept. (Total of lines 25, 59, and 61)	54,806,429	1,995,916	56,802,345
63	Utility Plant			
64	Construction (By Utility Departments)			
65	Electric Plant	19,329,103	1,414,368	20,743,471
66	Gas Plant	5,884,317	402,353	6,286,670
67	Other (provide details in footnote):			
68	TOTAL Construction (Total of lines 65 thru 67)	25,213,420	1,816,721	27,030,141
69	Plant Removal (By Utility Departments)			
70	Electric Plant	770,753	-20,467	750,286
71	Gas Plant	61,430	944	62,374
72	Other (provide details in footnote):			
73	TOTAL Plant Removal (Total of lines 70 thru 72)	832,183	-19,523	812,660
74	Other Accounts (Specify, provide details in footnote):			
75	Stores Expense (163)		9	9
76	Preliminary Survey and Investigation (183)	2,194		2,194
77	Small Tool Expense (184)	62,990	-11,092	51,898
78	Miscellaneous Deferred Debits (186)	29,320,078	32,244	29,352,322
79	Merchandising Expenses (416)	-1,571		-1,571
80	Non-operating expense (417)	700,514	41,148	741,662
81	Expenditures for Certain Civic, Political and Related Activit	185,648	575	186,223
82	Purchase and Stores Expense (980)	1,311,920	-1,294,532	17,388
83	Transportation Expense (981)	1,374,834	-1,355,150	19,684
84	Spokane Central Operating Facility Expense (985)	768,951	-764,030	4,921
85	Clark Fork Relicensing (987)	442,298	-442,286	12
86				
87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts	34,167,856	-3,793,114	30,374,742
96	TOTAL SALARIES AND WAGES	115,019,888		115,019,888

Name of Respondent	This report is:	Date of Report	Year Ending
Avista Corp.	[X] An Original [ ] A Resubmission	(Mo, Da, Yr) April 30, 2004	Dec. 31, 2003

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. These services include rate, management, construction, engineering, research, financial, valuation, legal , accounting, purchasing, advertising, labor relations, and public relations, rendered for the respondent under written or oral arrangement, for which aggregate payments wee made during the year to any corporation partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than $250,000, including payments for legislative services, except those which should be reported in Account 426.4 *Expenditures for Certain Civic, Political and Related Activities.*
(a) Name of person or organization rendering services.
(b) Total charges for the year.
2. Designate associated companies with an asterisk in column (b).

Line No.	Description (a)	* (b)	Amount (in dollars) (c)
1	BC Ziegler & Co.		1,575,000
2	Bain & Company Inc.		392,718
3	Deloitte & Touche, LLP		1,072,667
4	Dewey Ballantine, LLP		310,977
5	Dorsey & Whitney, LLP		252,679
6	Electrical Consultants, Inc.		289,914
7	Evolving Solutions, Inc.		266,715
8	Golder Associates, Inc.		552,330
9	Heller Ehrman White &...		627,285
10	Marsh		2,634,081
11	Paine Hamblen Coffin Brooke		1,341,401
12	Van Ness Feldman		890,510
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

GAS STORAGE PROJECTS

	Storage Operations (In Dth) (Note: Injections and withdrawals are based on Agency Agreement and State Benchmark Filings. Agent manages storage facility and uses it as needed to meet Company requirements. Scheduled injections/withdrawals are used) to determine payment arrangements only.)	
1	Gas Delivered to Storage	
2	January	0
3	February	0
4	March	0
5	April	0
6	May	346,673
7	June	600,000
8	July	620,000
9	August	620,000
10	September	300,000
11	October	0
12	November	0
13	December	0
14	TOTAL (Enter Total of Lines 15 Thru 26)	2,486,673
15	Gas Withdrawn from Storage	
16	January	775,000
17	February	700,000
18	March	155,003
19	April	0
20	May	0
21	June	0
22	July	0
23	August	0
24	September	0
25	October	0
26	November	236,670
27	December	620,000
28	TOTAL (Enter Total of Lines 29 Thru 40)	2,486,673

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

GAS STORAGE PROJECTS (Continued)

Line No.	Item (a)	Total Amount (b)
	Storage Operations (In Dekatherms)	
42	Top or Working Gas End of Year (Note)	1,630,003
43	Cushion Gas (Including Native Gas)	6,586,667
44	Total Gas in Reservoir (Enter Total of Line 42 and Line 43)	8,216,670
45	Certificated Storage Capacity	51,742,663
46	Number of Injection - Withdrawal Wells	45
47	Number of Observation Wells	48
48	Maximum Day's Withrawal from Storage	
49	Date of Maximum Days' Withdrawal	
50	LNG Terminal Companies (In Mcf)	
51	Number of Tanks	
52	Capacity of Tanks	
53	LNG Volumes	
54	a) Received at "Ship Rail"	
55	b) Transferred to Tanks	
56	c) Withdrawn from Tanks	
57	d) "Boil Off" Vaporization Loss	
58	e) Converted to Mcf at Tailgate of Terminal	

Note: The above information represents the company's one-third share of Jackson Prairie Storage Project.

Note: Working Gas at Year End represents the amount of gas available to the Company under the synthetic "Benchmark Injection/Withdrawal Schedules for JP Storage" according to the Benchmark Filings with Washington and Idaho.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

TRANSMISSION MAINS

Show particulars Called for Concerning Transmission Mains*

Line No.	Kind of Material (a)	Diameter of Pipe, Inches (b)	Total Length in Use Beginning of Year, Feet (c)	Laid During Year, Feet (d)	Taken up or Abandoned During Year, Feet (e)	Total Length in Use End of Year, Feet (f)
1						
2	Steel Coated	Over 4" through 10"	723,360	-		723,360
3	Steel Coated	4" or Less	26,400	0	0	26,400
4						
5						
6						
7						
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34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46	TOTALS			0		749,760

* Show separately and identify lines held under a title other than full ownership.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

DISTRIBUTION MAINS

Show particulars Called for Concerning Distribution Mains

Line No.	Kind of Material (a)	Diameter of Pipe, Inches (b)	Total Length in Use Beginning of Year, Feet (c)	Laid During Year, Feet (d)	Taken up or Abandoned During Year, Feet (e)	Total Length in Use End of Year, Feet (f)
1	The Washington Water Power System					
2	Steel Wrapped	Less than 2"	6,048,276	500	34,856	6,013,920
3	Steel Wrapped	2" to 4"	1,879,143	5,057	9,800	1,874,400
4	Steel Wrapped	4" to 8"	1,148,160	599	2,999	1,145,760
5	Steel Wrapped	8" to 12"	153,610	10,073	3	163,680
6	Steel Wrapped	Over 12"	52,622	178	0	52,800
7	The WP Natural Gas System					
8	Steel Wrapped	Less than 2"	3,109,920	11,600	1,040	3,120,480
9	Steel Wrapped	2" to 4"	902,880	0	5,280	897,600
10	Steel Wrapped	4" to 8"	612,480	0	0	612,480
11	Steel Wrapped	8" to 12"	15,840	50	50	15,840
12	Steel Wrapped	Over 12"	0	0	0	0
13	The Washington Water Power System					
14	Plastic	Less than 2"	9,607,850	394,890	34,100	9,968,640
15	Plastic	2" to 4"	1,985,841	55,157	2,918	2,038,080
16	Plastic	4" to 8"	432,050	18,958	2,208	448,800
17	Plastic	8" to 12"	0	0	0	0
18	Plastic	Over 12"	0	0	0	0
19	The WP Natural Gas System					
20	Plastic	Less than 2"	4,741,440	179,520	0	4,920,960
21	Plastic	2" to 4"	765,600	31,680	0	797,280
22	Plastic	4" to 8"	58,080	0	0	58,080
23	Plastic	8" to 12"	0	0	0	0
24	Plastic	Over 12"	0	0	0	0
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37	TOTALS		31,513,792	708,262	93,254	32,128,800

Note: WP Natural Gas laid pipe is net of retirements.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

SERVICE PIPES GAS

Show the particulars called for concerning the line service pipe in possession of the respondent at the close of the year.

Line No.	Type (a)	Diameter in Inches (b)	Number at Beginning of Year (c)	Number Added During Year (d)	Number Removed or Abandoned During Year (e)	Number at Close of Year (f)	Average Length in Feet (g)
1	Washington Water Power System						
2	Steel Wrapped	1' or Less	60,341	14	223	60,132	Not Available
3	Steel Wrapped	1" thru 2"	1,134	2	14	1,122	
4	Steel Wrapped	2" thru 4"	80	0	4	76	
5	Steel Wrapped	4" thru 8"	0	0	0	0	
6	Steel Wrapped	Over 8"	0	0	0	0	
7	WP Natural Gas System						
8	Steel Wrapped	1' or Less	39,949	76	136	39,889	
9	Steel Wrapped	1" thru 2"	583	4	4	583	
10	Steel Wrapped	2" thru 4"	22	0	0	22	
11	Steel Wrapped	4" thru 8"	2	0	0	2	
12	Steel Wrapped	Over 8"	0	0	0	0	
13	Washington Water Power System						
14	Plastic	1' or Less	117,998	4,790	254	122,534	
15	Plastic	1" thru 2"	752	33	11	774	
16	Plastic	2" thru 4"	86	3	3	86	
17	Plastic	4" thru 8"	0	0	0	0	
18	Plastic	Over 8"	0	0	0	0	
19	WP Natural Gas System						
20	Plastic	1' or Less	67,146	3,272	155	70,263	
21	Plastic	1" thru 2"	1,417	26	6	1,437	
22	Plastic	2" thru 4"	77	0	1	76	
23	Plastic	4" thru 8"	5	0	0	5	
24	Plastic	Over 8"	0	0	0	0	
25							
26							
27	TOTALS		289,592	8,220	811	297,001	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

CUSTOMER'S METERS

Line No.	Size *(a)*	Type *(b)*	Make *(c)*	Capacity *(d)*	Owned Beginning of Year *(e)*	Added During Year *(f)*	Retired During Year *(g)*	Owned End of Year *(h)*
1	Detailed information not available.							
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16	TOTALS				305,328	14,244	3,512	316,060

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

AUXILIARY PEAKING FACILITIES

1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum gas installation, gas liquefaction plants, oil gas sets, etc.

2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is submitted. For other facilities, report the rated maximum daily delivery capacities.

3. For column (d), include or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominant use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.

Line No.	Location of Facility (a)	Type of Facility (b)	Maximum Daily Delivery Capacity of Facility. Therms (c)	Cost of Facility (In dollars) (d)	Was Facility Operated on Day of Highest Transmission Peak Delivery? Yes (e)	No (f)
1						
2	Chehalis, Washington	Undergound Natural Gas	1,126,670	18,797,174	X	
3		Storage Field				
4						
5	Chehalis, Washington	Undergound Natural Gas	26,540	(1)		X
6		Storage Field				
7						
8	Plymouth, Washington	Liquified Natural Gas	220,000	(1)		X
9		Storage Tanks				
10						
11	Plymouth, Washington	Liquified Natural Gas	192,000	(1)		X
12		Storage Tanks				
13						
14	Lovelock, Nevada	Liquified Natural Gas	65,350	(1)	X	
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26	Note: (1) Respondent is only a participant in the facilities, not an owner.					
27	Repondent is charged a fee for demand deliverability and capacity.					
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corporation	[X] An Original [ ] A Resubmission	April 30, 2004	Dec. 31, 2003

GAS ACCOUNT - NATURAL GAS

1 The purpose of this schedule is to account for the quality of natural gas received and delivered by the respondent.
2 Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3 Enter in column (c) the Dth as reported in the schedules indicated for the items of receipts and deliveries.
4 Indicated in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.
5 If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose. Use copies of pages 520.
6 Also indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quanties the reporting pipeline transported or sold through its local distribution facilities or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quanities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.
7 Also indicate in a footnote (1) the system supply quanitities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales, transportation, and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage quanitities.
8 Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional rows as necessary to report all data, numbered 14.01, 14.02, etc.

01 NAME OF SYSTEM

Line No.	Item (a)	Ref. Page No. (b)	Amount of Dth (1) (c)
2	GAS RECEIVED		
3	Gas Purchases (Accounts 800-805)		33,461,106
4	Gas of Others Received for Gathering (Account 489.1)	303	
5	Gas of Others Received for Transmission (489.2)	305	15,595,862
6	Gas of Others Received for Distribution (Account 489.3)	301	
7	Gas of Others Received for Contract Storage (Account 489.4)	307	
8	Exchanged Gas Received from Others (Account 806)	328	
9	Gas Received as Imbalances (Account 806)	328	
10	Receipts pf Respondent's Gas Transported by Others (Account 858)	332	
11	Other Gas Withdrawn from Storage (Explain)		
12	Gas Received from Shippers as compressor Station Fuel		
13	Gas Received from Shippers as Lost and Unaccounted for		
14	Other Receipts (Specify):		
15	Total Receipts (Total lines 3 thru 14.?)		49,056,968
16	GAS DELIVERED		
17	Gas Sales (Accounts 480 - 484)		33,384,014
18	Deliveries of Gas Gathered for Others (Account 489.1)	303	
19	Deliveries of Gas Transported for Others (Account 489.2)	305	15,595,862
20	Deliveries of Gas Distributed for Others (Account 489.3)	301	
21	Deliveries of Contract Storage Gas (Account 489.4)	307	
22	Exchange Gas Delivered to Others (Account 806)	328	
23	Gas Delivered as Imbalances (Account 806)	328	
24	Deliveries of Gas to Others for Transportation (Account 858)	332	
25	Other Gas Delivered to Storage (Explain)		
26	Gas Used for Compressor Station Fuel	509	
27	Other Deliveries (Specify): Sales for Resale		230,616
28	Total Deliveries (Total lines 17 thru 27.?)		49,210,492
29	GAS UNACCOUNTED FOR		
30	Production System Losses		
31	Gathering System Losses		
32	Transmission System Losses		
33	Distribution System Losses		(153,524)
34	Storage System Losses		
35	Other Losses (Specify)		
36	Total Unaccounted For (Total lines 30 thru 35)		(153,524)
37	Total Deliveries & Unaccounted For (Total lines 28 thru 36)		49,056,968

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year of Report
Avista Corp.	(1) X An Original (2) _ A Resubmission	04/30/2004	Dec 31, 2003

FOOTNOTE DATA

Schedule Page: 103 Line No.: 25 Column: d

In 2003, assets previously held by Avista Labs were aquired by AVLB, Inc. Avista Labs owns 17.5 percent of AVLB, Inc.

Schedule Page: 103.1 Line No.: 23 Column: d

Indirectly controlled by the Respondent owned by Pentzer Corporation, a wholly owned Avista Capital Subsidiary. See Avista Capital and Pentzer Corporation listings on page 103.

Schedule Page: 103.2 Line No.: 18 Column: d

51% owned by Cogentrix, Inc.

Schedule Page: 103.2 Line No.: 21 Column: d

50% owned by Mirant Americas Development, Inc.

Schedule Page: 233.1 Line No.: 7 Column: b

Misc. Work Order < $50,000 - Beginning balance for 2003 is $75,798 less than ending balance for 2002, due to the addition of line 35 (Care - California for $36,008) and line 46 (Shareholder Lawsuit 2002 for $39,790.) When line 35 and line 46 are added together, they equal $75,798.

Schedule Page: 261 Line No.: 5 Column: b

BPA C&RD Receipts	180
Contributions in Aid of Construction - Electric	3,978,929
Contributions in Aid of Construction - Gas	315,446
Contributions in Aid of Construction -- OR	26,224
Contributions in Aid of Construction -- CA	4,142
Customer Uncollectibles - WA/ID	(286,005)
Customer Uncollectibles - OR/CA	(121,125)
BETC Interest	10,246
Transportation Tax Depreciation Capitalized - WA/ID	997,200
Transportation Tax Depreciation Capitalized - OR/CA	23,040
Taxable income Not Reported on Books	**4,948,277**

Schedule Page: 261 Line No.: 10 Column: b

Hamilton Street Bridge	164,551
Severance / Stock Options - Accelerated Vesting	(526,473)
Supplemental Executive Retirement Plan	335,692
Non-monetary Purchased Power	(181,376)
Amortization of Centralia Gain	(1,763,806)
Book Depr-Electric (Utility Code 0, 7 & 9)	55,017,391
Book Depr-Gas (Utility Code 1 & 8)	9,297,459
Book Deprec (Utility Code 2)	7,237,654
Rathdrum Turbine Sales Tax Refund	(33,828)
Wood Power Inc. Buyout	391,992
Investment Exchange Power - WNP 3	2,450,004
FASB 106-Def Amort-Postretirement Benefits - WA Electric	250,572
FASB 106-Def Amort-Postretirement Benefits - ID Electric	88,788
FASB 106-Def Amort-Postretirement Benefits - WA Gas	55,560
Redemption Expense Amortization - PCBs	194,424
DSM -- Electric Program Amortization	1,206,890
DSM -- Gas Program Amortization	566,736
DSM -- Electric Program Amortization Sandpoint	113,388
Political Contributions	1,440,000
Paid Time Off Equalization	(100,136)
Sale/Lease General Office Bldg	(238,028)
Airplane Lease Payments	269,825
CSS Hardware Lease - Principal Only	220,624
CSS Software Lease - Principal Only	2,032,892
EGMA Hardware & Software Lease - Principal Only	138,238
WMS Software Lease - Principal Only	455,636
Office Furniture Lease Series A - Principal only	80,351
Office Furniture Lease Series B - Principal only	32,889
Office Furniture Lease Series C - Principal only	80,057
Office Furniture Lease Series D - Principal only	29,027
CIT Operating Lease	(39,276)
FAS106 Current Retiree Medical accrual	(1,131,553)
Redemption Expense Amortization	877,910
Meal Disallowances	288,000
Transportation Book Depreciation	682,946
Preferred Dividend Requirement	1,094,628
Deductions Recorded on Books Not Deducted for Return	**81,079,648**

Name of Respondent Avista Corp.	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) 04/30/2004	Year of Report Dec 31, 2003

FOOTNOTE DATA

Schedule Page: 261 Line No.: 15 Column: b

Injury & Damages - Electric	150,459
Injury & Damages - Gas	(39,260)
Injury & Damages - OR/CA	(257,555)
Kettle Falls Nonoperating	(228,480)
Gain on General Office Bldg - Elec	(196,092)
Gain on General Office Bldg - Gas	(65,364)
Clark Fork PMEs	(26,194)
Nez Perce settlement -- WA	(22,008)
Nez Perce settlement -- ID	5,212
FASB 87	(67,130)
Deferred Compensation Accrual	2,262,927
WA Deferred Power Costs	6,137,329
WA Deferred Power Costs - Interest	(6,873,898)
Idaho PCA	3,518,073
Idaho PCA - Interest	(985,150)
Deferred Gas - WA	2,220,126
WA Deferred Gas Costs - Interest	(252,168)
Deferred Gas - ID	3,844,023
ID Deferred Gas Costs - Interest	(66,021)
Deferred Gas - OR	(8,780,887)
OR Deferred Gas - Interest	(150,057)
Deferred Gas - CA	(621,450)
CA Deferred Gas - Interest	(31,163)
WPNG DSM - OR	(249,716)
OR DSM - Interest	89,993
PGE Monetization	6,219,439
AFUDC Elec	(273,847)
AFUDC Gas	(18,333)
AFUDC - OR/CA	(5,722)
Officers' Life Insurance	(559,987)
Income Recorded on Books Not Included in Return	**4,677,099**

Schedule Page: 261 Line No.: 20 Column: b

BPA Residential Exchange -- WA & ID	(423,500)
WA & ID DSM Tariff Rider -- Electric	3,363,144
WA & ID DSM Tariff Rider -- Gas	(616,884)
Removal/Salvage - Electric (Utility Code 0, 7 & 9)	(183,243)
Removal/Salvage - Gas (Utility Code 1 & 8)	(36,884)
Removal/Salvage - OR/CA	(189,586)
Basic American Foods-Non-Utility	7,788
Tax Depreciation - Basic American Foods -- Non-Utility	(16,259)
Engineering Overheads - Electric	(6,000,000)
Tax Depreciation - Electric	(58,754,699)
Tax Depreciation - Rathdrum Turbine	(3,518,376)
Engineering Overheads - Gas	(2,000,000)
Tax Depreciation - Gas	(12,210,606)
Tax Depreciation - Sandpoint Acquisition Adjustment	(458,114)
Engineering Overheads - OR	(2,000,000)
Tax Depreciation - Common	(721,113)
Tax Depreciation - OR	(4,861,909)
Tax Depreciation - CA	(590,863)
Tax Amortization: WPNG Acquisition - OR	(768,683)

Tax Amortization: WPNG Acquisition - CA	(135,297)
WPNG Acquisition OR - Book	1,117,260
WPNG Acquisition CA - Book	206,160
Deductions on Return Not Charged Against Book Income	**(88,791,664)**