Avista Corp.
1411 East Mission P.O. Box 3727
Spokane. Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

July 31, 2009

Oregon Public Utility Commission
Attn: Filing Center
PO Box 2148
Salem, OR 97308-2148

RE: Avista Corp.'s Application for an Order Approving Sale of Property

Please find enclosed one original and one copy of Avista Corp.'s Application requesting approval to sell the Grants Pass property formerly used as a computer center, located in Grants Pass, Oregon.

An electronic copy of this application has also been filed pursuant to OAR 860-011-0012.

Please direct any questions regarding this filing to Liz Andrews at (509) 495-8601.

Sincerely,

Kelly Norwood

Kelly O. Norwood
Vice President, State and Federal Regulation

enclosure

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Vice President, State and Federal Regulation

enclosure

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION, DBA AVISTA UTILITIES, FOR APPROVAL TO SELL THE GRANTS PASS FORMER COMPUTER CENTER LOCATED IN GRANTS PASS, OREGON	)	DOCKET _____

Pursuant to ORS 757.480 and OAR 860-027-0025, Avista Corporation, doing business as Avista Utilities, ("Avista," "Company" or "Applicant") respectfully requests the OPUC provide authorization to sell the Grants Pass property formerly used as a computer center, located in Grants Pass, Oregon.

The applicant respectfully represents that:

OAR 860-027-0025 (1):

(a) The applicant's exact name and the address of its principal business office:

Avista Corporation
1411 E. Mission
PO Box 3727
Spokane, Washington 99220

(b) The state in which incorporated, the date of incorporation, and the other states in which authorized to transact utility business:

The Applicant was incorporated in Washington Territory (now the State of Washington) on March 15, 1889. The term of incorporation is perpetual. The Applicant is a public utility, which currently owns and operates property in eastern Washington, northern Idaho, western Montana, and central & southwest Oregon.

(c) Name and address of persons authorized, on behalf of applicant, to receive notices and communications in respect to application:

David J. Meyer, Esq. Chief Counsel for Regulatory and Governmental Affairs Avista Corporation P.O. Box 3727 1411 East Mission Avenue, MSC-13 Spokane, Washington 99220-3727 Phone: (509) 495-4316 Fax: (509) 495-8851	Kelly Norwood Vice President – State and Federal Regulation Avista Corporation P.O. Box 3727 1411 East Mission Avenue, MSC-13 Spokane, Washington 99220-3727 Phone: (509) 495-4267 Fax: (509) 495-8851

(d) The names and titles of the principal officers of the Applicant:

Each officer listed below maintains an office at 1411 East Mission Avenue, Spokane, Washington 99220:

Scott L. Morris	Chairman of the Board, President & CEO
Mark Thies	Senior Vice President, Chief Financial Officer
Marian Durkin	Senior Vice president, General Counsel & Chief Compliance Officer
Karen S. Feltes	Senior Vice President & Corporate Secretary
Christy M. Burmeister-Smith	Vice President , Controller & Principal Accounting Officer
James M. Kensok	Vice President & CIO
Don F. Kopczynski	Vice President, Transmission and Distribution Operations
David J. Meyer	Vice president & Chief Counsel for Regulatory & Governmental Affairs
Kelly O. Norwood	Vice President, State and Federal Regulation
Richard L. Storro	Vice President, Energy Resources
Roger D. Woodworth	Vice President, Sustainable Energy Solutions
Jason Thackston	Vice President, Finance
Dennis Vermillion	Vice President, Avista Corp. President Avista Utilities
Diane C. Thoren	Treasurer

(e) A description of the general character of the business done and to be done, and a designation of the territories served, by counties and states.

Applicant is engaged in the generation, transmission, distribution and sale of electric energy, which it sells at retail to approximately 355,000 residential, commercial, and industrial customers in eastern Washington and northern Idaho, and at wholesale to public utilities, municipalities and others. Its electric properties are operated as a unified system and are interconnected with adjacent electric utilities. The electric energy sold by the Applicant is

generated in power stations, which it owns in whole or in part or obtained by purchase or exchange from other utilities and governmental agencies.

Applicant is also engaged in the distribution and sale of natural gas to approximately 315,000 residential, commercial and industrial customers in eastern Washington, northern Idaho, and central & southwest Oregon.

Maps of Avista Corp.'s service territories and State counties are included as **Exhibit L**.

(f) The Applicant's capital stock as of March 31, 2009 was as follows (Dollars in thousands):

	Outstanding Shares	Outstanding Amount
Common Stock (200,000,000 shares authorized)		
No Par Value	54,643,215	$775,813
Total Common Stock	54,643,215	$620,178

None of the capital stock is held as reacquired securities, pledged, held by affiliated corporations, or held in any fund, except as noted above.

(g) The Applicant's long-term debt as of March 31, 2009 was as follows:

Description	Authorized ($000s)	Outstanding ($000s)
First Mortgage Bonds		
Secured Medium-Term Notes, Series A	$ 250,000	$ 48,000
Secured Medium-Term Notes, Series B	250,000	5,000
Secured Medium-Term Notes, Series C	250,000	50,000
7.250% Series Due 1-1-2013	150,000	30,000
6.125% Series Due 9-1-2013	150,000	45,000
5.45% Series Due 12-1-2019	150,000	90,000
6.250% Series Due 12-1-2035	150,000	150,000
5.70% Series Due 7-1-2037	150,000	150,000
5.95% Series Due	350,000	250,000
Pollution Control Bonds		
Series Due 2032	4,100	4,100
Secured Bonds		17,000
Other long-term debt		2,891
Interest Rate Swaps		(13,695)
Unamortized debt discount		(1,478)
Current Portion of long-term debt		(17,132)
Total Long Term Debt	$ 1,854,100	$ 809,686

None of the long-term debt is held as reacquired securities, pledged, held by affiliated corporations, or held in any fund, except as noted above.

(h) Whether the application is for disposition of facilities by sale, lease, or otherwise, a merger or consolidation of facilities, or for mortgaging or encumbering its property, or for the acquisition of stock, bonds, or property of another utility, also a description of the consideration, if any, and the method of arriving at the amount thereof:

Applicant is requesting approval from the Commission to sell the Grants Pass office building, located in Grants Pass, Oregon. Applicant will apply any gain realized by the sale of this asset against the Oregon acquisition adjustment as ordered by OPUC Order No. 91-671 (Docket UP63/UA39, Washington Water Power Company's acquisition of CP National's Oregon National Gas Service Territory), dated May 16, 1991 (Appendix A-Stipulation, page 2, lines 3-8):

> "If Water Power sells all or any portion of the operating systems acquired from CP National, Water Power will apply any gain realized above the sum of the net book value and any acquisition adjustment assigned to such systems so as to proportionately reduce any remaining acquisition adjustment allocated among the jurisdictions."

The proposed application of the gain against the Company's Oregon acquisition adjustment is consistent with previous orders received from the OPUC regarding sale of property in Avista's Oregon service territory (OPUC Order No.'s 94-354, 94-1327 and 06-118).

(i) A statement and general description of facilities to be disposed of, consolidated, merged, or acquired from another utility, giving a description of their present use and of their proposed use after disposition, consolidation, merger, or acquisition. State whether the proposed disposition of facilities or plan for consolidation, merger, or acquisition includes all the operating facilities of the parties to the transaction:

This property currently has an address of 624 SE "J" Street in Grants Pass, Oregon, and consists of an office building and parking lot, formerly used as a computer center (which is the sale property), an Easterly portion containing a gas regulator station and materials storage site with metal pole building, which the Company will retain.

The property was purchased from CP National Corporation in 1991. The portion used as the office/computer service center ceased to be used as such more than 10 years ago, considered surplus property, and was subsequently leased to The Inn Between alternative school for troubled children. The Avista Corporation local representatives continued to use a small area for occasional

office space. The Easterly portion of the property, comprising about 1/3 of the total area, continues to be used by Avista as a gas materials storage area.

Avista has agreed to sell the office building and parking area to the Inn Between school, and agreed upon a price of $350,000.00. Avista is retaining the Easterly storage area, and plans to partition/subdivide the property to accommodate the sale to Inn Between.

(j) A statement by primary account of the cost of the facilities and applicable depreciation reserve involved in the sale, lease, or other disposition, merger or consolidation, or acquisition of property of another utility.

Applicant's estimated journal entries for the sale of the former computer center located in Grants Pass, Oregon are attached hereto as **Exhibit J**. The property and depreciation reserve balances shown are as of June 30, 2009. The final journal entries or balances recorded will vary depending on date of sale and transfer of property and final closing costs. All records associated with the cost of the Grants Pass property, applicable depreciation reserve, and the sale will be held by the Applicant and available for review upon request.

(k) A statement as to whether or not any application with respect to the transaction or any part thereof, is required to be filed with any federal or other state regulatory body.

None required.

(l) The facts relied upon by applicant to show that the proposed sale, lease, assignment, or consolidation of facilities, mortgage or encumbrance of property, or acquisition of stock, bonds, or property of another utility will be consistent with the public interest.

Applicant believes that the sale of the Grants Pass property formerly used as a computer center is consistent with the public interest since the property is no longer necessary or useful in the performance of Applicant's service to its customers.

(m) The reasons, in detail, relied upon by each applicant, or party to the application, for entering into the proposed sale, lease, assignment, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock, bonds, or property of another utility, and the benefits, if any, to be derived by the customers of the applicants and the public.

As indicated above, Applicant determined that the Grants Pass property

formerly used as a computer center is no longer necessary for Applicant's ongoing operations.

(n) The amount of stock, bonds, or other securities, now owned, held or controlled by applicant, of the utility from which stock or bonds are proposed to be acquired.

Not applicable.

(o) A brief statement of franchises held, showing date of expiration if not perpetual, or, in case of transfer, that transferee has the necessary franchises.

Not applicable.

OAR 860-027-0025 (2):
Submitted herewith are the following exhibits as required:

(a) EXHIBIT A.	The Applicant's Articles of Incorporation
(b) EXHIBIT B.	The Applicant's Bylaws
(c) EXHIBIT C.	A copy of the resolution adopted by the Applicant's Board (Not applicable to this application)
(d) EXHIBIT D.	The Applicant's mortgage securing the guarantee or obligation (Not applicable to this application)
(e) EXHIBIT E.	Applicant's balance sheet as of March 31, 2009
(f) EXHIBIT F.	Applicant's statement of contingent liabilities as of March 31, 2009
(g) EXHIBIT G.	Applicant's income statement for the 3 months ended March 31, 2009
(h) EXHIBIT H	Applicant's analysis of retained earnings for the 12 months ended December 31, 2008 (currently available)
(i) EXHIBIT I.	A copy of each contract or written instrument entered into or proposed to be entered into by the parties to the transaction in respect to the sale. (1) Buyer Purchase-Offer of Grants Pass property;

(j) EXHIBIT J. A copy of each proposed journal entry to be used to record the transaction. (Amounts will vary depending on date of sale and final closing costs.)

(k) EXHIBIT K. A copy of each supporting schedule showing the benefits, if any, relied upon to support the facts as required by subsection (1)(l) of this rule and the reasons as required by subsection (1)(m) of this rule.
(Not applicable to this application)

Additional Attachment:

EXHIBIT L. Map of Avista's service territories located in Oregon, Washington and Idaho. Map of counties in each State.

EXHIBIT M. Order No. 91-671 (Docket UP63/UA39, Washington Water Power Company's acquisition of CP National's Oregon National Gas Service Territory), dated May 16, 1991

WHEREFORE, the Applicant respectfully requests the Public Utilities Commission of Oregon to enter a written order authorizing approval to sell the Grants Pass property formerly used as a computer center, gas regulator station and materials storage site, located in Grants Pass, Oregon as described in this Application.

DATED this 30th day of July 2009.

Respectfully submitted,

AVISTA CORPORATION

By _____

Kelly O. Norwood
Vice President, State and Federal Regulation

VERIFICATION

STATE OF WASHINGTON)
)
County of Spokane)

Kelly O. Norwood, being first duly sworn on oath, deposes and says: That he is Vice President, State and Federal Regulation of Avista Corporation and makes this verification for and on behalf of said corporation, being thereto duly authorized;

That he has read the foregoing Application, knows the contents thereof, and believes the same to be true.

Kelly Norwood

SIGNED AND SWORN to before me this 31st day of July 2009, by Kelly O. Norwood.

PATTY OLSNESS NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES FEB. 22, 2010

Patty Olsness

NOTARY PUBLIC in and for the State of Washington, residing at Spokane.

Commission Expires: 2-22-10

EXHIBIT A

RESTATED ARTICLES OF INCORPORATION

OF

AVISTA CORPORATION

As Amended and Restated June 6, 2008

FILED
SECRETARY OF STATE

JUN 0 6 2008

STATE OF WASHINGTON

RESTATED ARTICLES OF INCORPORATION OF AVISTA CORPORATION

Know all men by these presents that we have this day voluntarily associated ourselves together for the purpose of forming, and we do hereby form and agree to become a Corporation, under and by virtue of the laws of the Territory of Washington, and for such purpose we do hereby certify:-

FIRST: That the name of said Corporation is Avista Corporation.

SECOND: The objects and purposes for which the Corporation is formed are:

To acquire, buy, hold, own, sell, lease, exchange, dispose of, finance, deal in, construct, build, equip, improve, use, operate, maintain and work upon:

(a) Any and all kinds of plants and systems for the manufacture, production, storage, utilization, purchase, sale, supply, transmission, distribution or disposition of electric energy, natural or artificial gas, water or steam, or power produced thereby, or of ice and refrigeration of any and every kind;

(b) Any and all kinds of telephone, telegraph, radio, wireless and other systems, facilities and devices for the receipt and transmission of sounds and signals, any and all kinds of interurban, city and street railways and bus lines for the transportation of passengers and/or freight, transmission lines, systems, appliances, equipment and devices and tracks, stations, buildings and other structures and facilities;

(c) Any and all kinds of works, power plants, manufactories, structures, substations, systems, tracks, machinery, generators, motors, lamps, poles, pipes, wires, cables, conduits, apparatus, devices, equipment, supplies, articles and merchandise of every kind pertaining to or in anywise connected with the construction, operation or maintenance of telephone, telegraph, radio, wireless and other systems, facilities and devices for the receipt and transmission of sounds and signals, or of interurban, city and street railways and bus lines, or in anywise connected with or pertaining to the manufacture, production, purchase, use, sale, supply, transmission, distribution, regulation, control or application of electric energy, natural or artificial gas, water, steam, ice, refrigeration and power or any other purpose;

To acquire, buy, hold, own, sell, lease, exchange, dispose of, transmit, distribute, deal in, use, manufacture, produce, furnish and supply street and interurban railway and bus service, electric energy, natural or artificial gas, light, heat, ice, refrigeration, water and steam in any form and for any purposes whatsoever; and any power or force, or energy in any form and for any purposes whatsoever;

To manufacture, produce, buy or in any other manner acquire, and to sell, furnish, dispose of and distribute steam for heating or other purposes, and to purchase, lease or otherwise acquire, build, construct, erect, hold, own, improve, enlarge, maintain, operate, control, supervise and manage and to sell, lease or otherwise dispose of plants, works and facilities, including distribution systems, mains, pipes, conduits and meters, and all other necessary apparatus and appliances used or useful or convenient for use in the business of manufacturing, producing, selling, furnishing, disposing of and distributing steam for heating or for any other purposes;

To acquire, organize, assemble, develop, build up and operate constructing and operating and other organizations and systems, and to hire, sell, lease, exchange, turn over, deliver and dispose of such organizations and systems in whole or in part and as going organizations and systems and otherwise, and to enter into and perform contracts, agreements and undertakings of any kind in connection with any or all of the foregoing powers;

To do a general contracting business;

To purchase, acquire, develop, mine, explore, drill, hold, own, sell and dispose of lands, interest in and rights with respect to lands and waters and fixed and movable property;

To plan, design, construct, alter, repair, remove or otherwise engage in any work upon bridges, dams, canals, piers, docks, wharfs, buildings, structures, foundations, mines, shafts, tunnels, wells, waterworks and all kinds of structural excavations and subterranean work and generally to carry on the business of contractors and engineers;

To manufacture, improve and work upon and to deal in, purchase, hold, sell and convey minerals, metals, wood, oils and other liquids, gases, chemicals, animal and plant products or any of the products and by-products thereof or any article or thing into the manufacture of which any of the foregoing may enter;

To manufacture, improve, repair and work upon and to deal in, purchase, hold, sell and convey any and all kinds of machines, instruments, tools, implements, mechanical devices, engines, boilers, motors, generators, rails, cars, ships, boats, launches, automobiles, trucks, tractors, airships, aeroplanes, articles used in structural work, building materials, hardware, textiles, clothing, cloth, leather goods, furs and any other goods, wares and merchandise of whatsoever kind;

To construct, erect and sell buildings and structures in and on any lands for any use or purpose; to equip and operate warehouses, office buildings, hotels, apartment houses, apartment hotels and restaurants, or any other buildings and structures of whatsoever kind;

To guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bonds, securities or evidences of indebtedness created by any other corporation or corporations of the state of Washington or of any other state or government, and, while the owner of such stock, to exercise all the rights, powers and privileges of individual ownership with respect thereto, including the right to vote thereon, and to consent and otherwise act with respect thereto;

To aid in any manner any corporation or association, domestic or foreign, or any firm or individual, any shares of stock in which or any bonds, debentures, notes, securities, evidence of indebtedness, contracts or obligations of which are held by or for the Corporation or in which or in the welfare of which the Corporation shall have any interest, and to do any acts designed to protect, preserve, improve or enhance the value of any property at any time held or controlled by the Corporation, or in which it may be interested at any time; and to organize or promote or facilitate the organization of subsidiary companies;

To purchase from time to time any of its stock outstanding (so far as may be permitted by law) at such price as may be fixed by its Board of Directors or Executive Committee and accepted by the holders of the stock purchased, and to resell any stock so purchased at such price as may be fixed by its said Board of Directors or Executive Committee;

In any manner to acquire, enjoy, utilize and to sell or otherwise dispose of patents, copyrights and trademarks and any licenses or other rights or interests therein and thereunder;

To purchase, acquire, hold, own and sell or otherwise dispose of franchises, concessions, consents, privileges and licenses;

To borrow money and contract debts, to issue bonds, promissory notes, bills of exchange, debentures and other obligations and evidences of indebtedness payable at a specified time or times or payable upon the happening of a specified event or events, whether secured by mortgage, pledge or otherwise or unsecured, for money borrowed or in payment for property purchased or acquired or any other lawful objects; all as may be determined from time to time by the Board of Directors or Executive Committee of the Corporation, pursuant to the authority hereby conferred;

To create mortgages or deeds of trust which shall cover and create a lien upon all or any part of the property of the Corporation of whatsoever kind and wheresoever situated, then owned or thereafter acquired, and to provide in any such mortgage or deed of trust that the amount of bonds or other evidences of indebtedness to be issued thereunder and to be secured thereby shall be limited to a definite amount or limited only by the conditions therein specified and to issue or cause to be issued by the Corporation the bonds or other evidences of indebtedness to be secured thereby; all as may be determined from time to time by the Board of Directors or Executive Committee of the Corporation pursuant to the authority hereby conferred;

To do all and everything necessary and proper for the accomplishment of the objects enumerated in these Articles of Incorporation or any amendment thereof or necessary or incidental to the protection and benefit of the Corporation, and in general to carry on any lawful business necessary or incidental to the attainment of the objects of the Corporation whether or not such business is similar in nature to the objects set forth in these Articles of Incorporation or any amendment thereof;

To do any or all things herein set forth, to the same extent and as fully as natural persons might or could do, and in any part of the world, and as principal, agent, contractor or otherwise, and either alone or in conjunction with any other persons, firms, associations or corporations;

To conduct its business in any or all its branches in the state of Washington, other states, the District of Columbia, the territories and colonies of the United States, and any foreign countries, and to have one or more offices out of the state of Washington.

THIRD:

(a) The amount of capital with which the Corporation will begin to carry on business hereunder shall be FIVE MILLION FIVE HUNDRED DOLLARS ($5,000,500).

(b) The aggregate number of shares of capital stock which the Corporation shall have authority to issue is 210,000,000 shares, divided into 10,000,000 shares of Preferred Stock without nominal or par value, issuable in series as hereinafter provided, and 200,000,000 shares of Common Stock without nominal or par value.

(c) A statement of the preferences, limitations and relative rights of each class of capital stock of the Corporation, namely, the Preferred Stock without nominal or par value and the Common Stock without nominal or par value, of the variations in the relative rights and preferences as between series of the Preferred Stock insofar as the same are fixed by these Articles of Incorporation, and of the authority vested in the Board of Directors of the Corporation to

establish series of Preferred Stock and to fix and determine the variations in the relative rights and preferences as between series insofar as the same are not fixed by these Articles of Incorporation and as to which there may be variations between series is as follows.

(d) The shares of the Preferred Stock may be divided into and issued in series. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series of the Preferred Stock and all other classes of capital stock of the Corporation. To the extent that these Articles of Incorporation shall not have established series of the Preferred Stock and fixed and determined the variations in the relative rights and preferences as between series, the Board of Directors shall have authority, and is hereby expressly vested with authority, to divide the Preferred Stock into series and, within the limitations set forth in these Articles of Incorporation and such limitations as may be provided by law, to fix and determine the relative rights and preferences of any series of the Preferred Stock so established. Such action by the Board of Directors shall be expressed in a resolution or resolutions adopted by it prior to the issuance of shares of each series, which resolution or resolutions shall also set forth the distinguishing designation of the particular series of the Preferred Stock established thereby. Without limiting the generality of the foregoing, authority is hereby expressly vested in the Board of Directors so to fix and determine, with respect to any series of the Preferred Stock:

(1) the rate or rates of dividend, if any, which may be expressed in terms of a formula or other method by which such rate or rates shall be calculated from time to time, and the date or dates on which dividends may be payable;

(2) whether shares may be redeemed and, if so, the redemption price and the terms and conditions of redemption;

(3) the amount payable upon shares in event of voluntary and involuntary liquidation;

(4) sinking fund provisions, if any, for the redemption or purchase of shares; and

(5) the terms and conditions, if any, on which shares may be converted.

All shares of the Preferred Stock of the same series shall be identical except that shares of the same series issued at different times may vary as to the dates from which dividends thereon shall be cumulative; and all shares of the Preferred Stock, irrespective of series, shall constitute one and the same class of stock, shall be of equal rank, and shall be identical except as to the designation thereof, the date or dates from which dividends on shares thereof shall be cumulative, and the relative rights and preferences set forth above in clauses (1) through (5) of this subdivision (d), as to which there may be variations between different series. Except as may be otherwise provided by law, by subdivision (j) of this Article THIRD, or by the resolutions establishing any series of Preferred Stock in accordance with the foregoing provisions of this subdivision (d), whenever the written consent, affirmative vote, or other action on the part of the holders of the Preferred Stock may be required for any purpose, such consent, vote or other action shall be taken by the holders of the Preferred Stock as a single class irrespective of series and not by different series.

(e) Out of any funds legally available for the payment of dividends, the holders of the Preferred Stock of each series shall be entitled, in preference to the holders of the Common Stock, to receive, but only when and as declared by the Board of Directors, dividends at the rate or rates fixed and determined with respect to each series in accordance with these Articles of Incorporation, and no more, payable as hereinafter provided. Such dividends shall be cumulative

so that if for all past dividend periods and the then current dividend periods dividends shall not have been paid or declared and set apart for payment on all outstanding shares of each series of the Preferred Stock, at the dividend rates fixed and determined for the respective series, the deficiency shall be fully paid or declared and set apart for payment before any dividends on the Common Stock shall be paid or declared and set apart for payment; provided, however, that nothing in this subdivision (e) or elsewhere in these Articles of Incorporation shall prevent the simultaneous declaration and payment of dividends on both the Preferred Stock and the Common Stock if there are sufficient funds legally available to pay all dividends concurrently. Dividends on all shares of the Preferred Stock of each series shall be cumulative from the date of issuance of shares of such series. If more than one series of the Preferred Stock shall be outstanding and if dividends on each series shall not have been paid or declared and set apart for payment, at the dividend rate or rates fixed and determined for such series, the shares of the Preferred Stock of each series shall share ratably in the payment of dividends including accumulations, if any, in accordance with the sums which would be payable on such shares if all dividends were declared and paid in full. As to all series of Preferred Stock, the dividend payment dates for regular dividends shall be the fifteenth day of March, June, September and December in each year, unless other dividend payment dates shall have been fixed and determined for any series in accordance with subdivision (d) of this Article THIRD, and the dividend period in respect of which each regular dividend shall be payable in respect of each series shall be the period commencing on the next preceding dividend payment date for such series and ending on the day next preceding the dividend payment date for such dividend. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments which may be in arrears.

(f) Subject to the limitations set forth in paragraph (e) or elsewhere in these Articles of Incorporation (and subject to the rights of any class of stock hereafter authorized), dividends may be paid on the Common Stock when and as declared by the Board of Directors out of any funds legally available for the payment of dividends, and no holder of shares of any series of the Preferred Stock as such shall be entitled to share therein.

(g) In the event of any voluntary dissolution, liquidation or winding up of the Corporation, before any distribution or payment shall be made to the holders of the Common Stock, the holders of the Preferred Stock of each series then outstanding shall be entitled to receive out of the net assets of the Corporation available for distribution to its shareholders the respective amounts per share fixed and determined in accordance with these Articles of Incorporation to be payable on the shares of such series in the event of voluntary liquidation, and no more, and in the event of any involuntary dissolution, liquidation or winding up of the Corporation, before any distribution or payment shall be made to the holders of the Common Stock, the holders of the Preferred Stock of each series then outstanding shall be entitled to receive out of the net assets of the Corporation available for distribution to its shareholders the respective amounts per share fixed and determined in accordance with these Articles of Incorporation to be payable on the shares of such series in the event of involuntary liquidation, and no more. If upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the net assets of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of all outstanding shares of Preferred Stock of all series the full amounts to which they shall be respectively entitled as aforesaid, the entire net assets of the Corporation available for distribution shall be distributed ratably to the holders of all outstanding shares of Preferred Stock of all series in proportion to the amounts to which they shall be respectively so entitled. For the purposes of this and the next succeeding subdivision, and without limiting the right of the Corporation to distribute its assets or to dissolve, liquidate or wind up in connection with any sale, merger or consolidation, the sale of all or substantially all of the property of the

Corporation, or the merger or consolidation of the Corporation into or with any other corporation or corporations, shall not be deemed to be a distribution of assets or a dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary.

(h) Subject to the limitations set forth in subdivision (g) of this Article THIRD or elsewhere in these Articles of Incorporation (and subject to the rights of any class of stock hereafter authorized) upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, any net assets of the Corporation available for distribution to its shareholders shall be distributed ratably to holders of the Common Stock.

(i) The Preferred Stock may be redeemed in accordance with the following provisions of this subdivision (i):

(1) Each series of the Preferred Stock which has been determined to be redeemable as permitted by subdivision (d) of this Article THIRD may be redeemed in whole or in part by the Corporation, at its election expressed by resolution of the Board of Directors, at any time or from time to time, at the then applicable redemption price fixed and determined with respect to each series, subject however, to any terms and conditions specified in respect of any series of the Preferred Stock in accordance with subdivision (d) of this Article THIRD. If less than all of the shares of any series are to be redeemed, the redemption shall be made either pro rata or by lot in such manner as the Board of Directors shall determine.

(2) In the event the Corporation shall so elect to redeem shares of the Preferred Stock, notice of the intention of the Corporation to do so and of the date and place fixed for redemption shall be mailed not less than thirty nor more than ninety days before the date fixed for redemption to each holder of shares of the Preferred Stock to be redeemed at his address as it shall appear on the books of the Corporation, and on and after the date fixed for redemption and specified in such notice (unless the Corporation shall default in making payment of the redemption price), such holders shall cease to be shareholders of the Corporation with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares, excepting only the right to receive the redemption price therefor from the Corporation on the date fixed for redemption, without interest, upon endorsement, if required, and surrender of their certificates for such shares.

(3) Contemporaneously with the mailing of notice of redemption of any shares of the Preferred Stock as aforesaid or at any time thereafter on or before the date fixed for redemption, the Corporation may, if it so elects, deposit the aggregate redemption price of the shares to be redeemed with any bank or trust company doing business in the City of New York, New York, or Spokane, Washington, having a capital and surplus of at least $5,000,000, named in such notice, payable on the date fixed for redemption in the proper amounts to the respective holders of the shares to be redeemed, upon endorsement, if required, and surrender of their certificates for such shares, and on and after the making of such deposit such holders shall cease to be shareholders of the Corporation with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares, excepting only the right to exercise such redemption or exchange rights, if any, on or before the date fixed for redemption as may have been provided with respect to such shares or the right to receive the redemption price of their shares from such bank or trust company on the date fixed for redemption, without interest, upon endorsement, if required, and surrender of their certificates for such shares.

(4) If the Corporation shall have so elected to deposit the redemption moneys with a bank or trust company, any moneys so deposited which shall remain unclaimed at the end of six years after the redemption date shall be repaid to the Corporation, and upon such repayment holders of Preferred Stock who shall not have made claim against such moneys prior to such repayment shall be deemed to be unsecured creditors of the Corporation for an amount, without interest, equal to the amount they would theretofore have been entitled to receive from such bank or trust company. Any redemption moneys so deposited which shall not be required for such redemption because of the exercise, after the date of such deposit, of any right of conversion or exchange or otherwise, shall be returned to the Corporation forthwith. The Corporation shall be entitled to receive any interest allowed by any bank or trust company on any moneys deposited with such bank or trust company as herein provided, and the holders of any shares called for redemption shall have no claim against any such interest.

(5) Nothing herein contained shall limit any legal right of the Corporation to purchase or otherwise acquire any shares of the Preferred Stock.

(j) The holders of the Preferred Stock shall not have any right to vote for the election of Directors or for any other purpose except as otherwise provided by law and as set forth below in this subdivision of this Article THIRD or elsewhere in these Articles of Incorporation. Holders of Preferred Stock shall be entitled to notice of each meeting of shareholders at which they shall have any right to vote but except as may be otherwise provided by law shall not be entitled to notice of any other meeting of shareholders.

(1) Whenever and as often as, at any date, dividends payable on any shares of the Preferred Stock shall be in arrears in an amount equal to the aggregate amount of dividends accumulated on such shares of the Preferred Stock over the eighteen-month period ended on such date, the holders of the Preferred Stock of all series, voting separately and as a single class, shall be entitled to vote for and to elect a majority of the Board of Directors, and the holders of the Common Stock, voting separately and as a single class, shall be entitled to vote for and to elect the remaining Directors of the Corporation. The right of the holders of the Preferred Stock to elect a majority of the Board of Directors shall, however, cease when all defaults in the payment of dividends on their stock shall have been cured and such dividends shall be declared and paid out of any funds legally available therefor as soon as in the judgment of the Board of Directors is reasonably practicable. The terms of office of all persons who may be Directors of the Corporation at the time the right to elect Directors shall accrue to the holders of the Preferred Stock as herein provided shall terminate upon the election of their successors at a meeting of the shareholders of the Corporation then entitled to vote. Such election shall be held at the next Annual Meeting of Shareholders or may be held at a special meeting of shareholders but shall be held upon notice as provided in the Bylaws of the Corporation for a special meeting of the shareholders. Any vacancy in the Board of Directors occurring during any period when the Preferred Stock shall have elected representatives on the Board shall be filled by a majority vote of the remaining Directors representing the class of stock theretofore represented by the Director causing the vacancy. At all meetings of the shareholders held for the purpose of electing Directors during such times as the holders of the Preferred Stock shall have the exclusive right to elect a majority of the Board of Directors of the Corporation, the presence in person or by proxy of the holders of a majority of the outstanding shares of Preferred Stock of all series shall be required to substitute a quorum of such class for the election of Directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of Common Stock shall be required to constitute a quorum of such

class for the election of Directors; provided, however, that the absence of a quorum of the holders of stock of either class shall not prevent the election at any such meeting, or adjournment thereof, of Directors by the other class if the necessary quorum of the holders of stock of such class is present in person or by proxy at such meeting; and provided further, that, in the absence of a quorum of the holders of stock of either class, a majority of those holders of such stock who are present in person or by proxy shall have the power to adjourn the election of those Directors to be elected by that class from time to time without notice, other than announcement at the meeting, until the requisite amount of holders of stock of such class shall be present in person or by proxy.

(2) So long as any shares of the Preferred Stock shall be outstanding, the Corporation shall not, without the affirmative vote of the holders of at least a majority of the shares of the Preferred Stock at the time outstanding, adopt any amendment to these Articles of Incorporation if such amendment would:

(i) create or authorize any new class of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up;

(ii) increase the authorized number of shares of the Preferred Stock; or

(iii) change any of the rights or preferences of the Preferred Stock at the time outstanding provided, however, that if any proposed change of any of the rights or preferences of any outstanding shares of the Preferred Stock would affect the holders of shares of one or more, but not all, series of the Preferred Stock then outstanding, only the affirmative vote of the holders of at least a majority of the total number of outstanding shares of all series so affected shall be required; and provided further, that nothing herein shall authorize the adoption of any amendment to these Articles of Incorporation by the vote of the holders of a lesser number of shares of the Preferred Stock, or of any other class of stock, or of all classes of stock, than is required for such an amendment by the laws of the state of Washington at the time applicable thereto.

(3) So long as any shares of the Preferred Stock shall be outstanding, the Corporation shall not, without the affirmative vote of the holders of at least a majority of the shares of the Preferred Stock at the time outstanding, issue any shares of the Preferred Stock, or of any other class of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, unless the net income of the Corporation available for the payment of dividends for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance of such shares (including, in any case in which such shares are to be issued in connection with the acquisition of new property, the net income of the property so to be acquired, computed on the same basis as the net income of the Corporation) is at least equal to one and one-half times the annual dividend requirements on all shares of the Preferred Stock, and on all shares of all other classes of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, which will be outstanding immediately after the issuance of such shares, including the shares proposed to be issued; provided, however, that if the shares of any series of the Preferred Stock or any such prior or parity stock shall have a variable dividend rate, the annual dividend requirement on the shares of such series shall be determined by reference to the weighted average dividend rate on such shares during the twelve-month period for which the net income of the Corporation available for the payment of dividends shall have been determined; and

provided, further, that if the shares of the series to be issued are to have a variable dividend rate, the annual dividend requirement on the shares of such series shall be determined by reference to the initial dividend rate upon the issuance of such shares. In any case where it would be appropriate, under generally accepted accounting principles to combine or consolidate the financial statements of any parent or subsidiary of the Corporation with those of the Corporation, the foregoing computation may be made on the basis of such combined or consolidated financial statements.

(k) Subject to the limitations set forth in subdivision (j) of this Article THIRD (and subject to the rights of any class of stock hereafter authorized), and except as may be otherwise provided by law, the holders of the Common Stock shall have the exclusive right to vote for the election of Directors and for all other purposes. At each meeting of shareholders, each holder of stock entitled to vote thereat shall be entitled to one vote for each share of such stock held by him and recorded in his name on the record date for such meeting, and may vote and otherwise act in person or by proxy. Voting in the election of directors by shares within each voting group shall be governed by the additional provisions set forth below:

(1) In an election of directors which is not a contested election (as defined below):

(A) Each vote entitled to be cast may be cast for or cast against one or more candidates, or a shareholder may indicate an abstention with respect to one or more candidates. Shareholders shall not be entitled to cumulate votes;

(B) A candidate shall be elected by such voting group if the number of votes cast within such voting group for such candidate exceeds the number of votes cast within such voting group against such candidate. A candidate who does not receive such majority of votes cast but who is a director at the time of the election shall continue to serve as a director for a term that shall terminate on the date that is the earliest of (I) the date of the commencement of the term of a new director selected by the board of directors to fill the office held by such director, (II) the effective date of the resignation of such director and (III) the date of the next Annual Meeting of Shareholders;

(C) Only votes cast for and votes cast against a candidate shall be taken into account in determining whether the votes required for the election of such candidate have been received. Shares otherwise present at the meeting but for which there is an abstention with respect to a candidate or as to which no authority or direction to vote is given or specified with respect to a candidate shall not be deemed to have been voted; and

(D) In the event that a director does not receive the required majority vote for election, a majority of the other directors duly elected by shares within such voting group in such or a prior election may select any qualified individual to fill the office held by such director, such selection being deemed to constitute the filling of a vacancy.

(2) In a contested election:

(A) Each vote entitled to be cast may be cast for one or more candidates (not to exceed the number of directors to be elected), or may be withheld with respect to one or more candidates. Shareholders shall not be entitled to cumulate votes; and

(B) The candidates elected shall be those receiving the largest numbers of votes cast within such voting group, up to the number of directors to be elected.

(3) An election of directors by a voting group shall be deemed to be a "contested election" with respect to such voting group if at the expiration of the time fixed in the Bylaws requiring advance notice of a shareholder's intent to nominate a person for election as a director, there are more candidates for election by such voting group than the number of directors to be elected by such voting group, one or more of whom have been properly proposed by shareholders.

(l) Subject to the limitations set forth in subdivision (j) of this Article THIRD (and subject to the rights of any class of stock hereafter authorized), and except as may be otherwise provided by law, upon the vote of a majority of all of the Directors of the Corporation and of the holders of record of two-thirds of the total number of shares of the Corporation then issued and outstanding and entitled to vote (or, if the vote of a larger number or different proportion of shares is required by the laws of the state of Washington, notwithstanding the above agreement of the shareholders of the Corporation to the contrary, then upon the vote of the holders of record of the larger number or different proportion of shares so required) the Corporation may from time to time create or authorize one or more other classes of stock with such preferences, designations, rights, privileges, powers, restrictions, limitations and qualifications as may be determined by said vote, which may be the same or different from the preferences, designations, rights, privileges, powers, restrictions, limitations and qualifications of the classes of stock of the Corporation then authorized and/or the Corporation may increase or decrease the number of shares of one or more of the classes of stock then authorized.

(m) All stock of the Corporation without nominal or par value whether authorized herein or upon subsequent increases of capital stock or pursuant to any amendment hereof may be issued, sold and disposed of by the Corporation from time to time for such consideration in labor, services, money or property as may be fixed from time to time by the Board of Directors and authority to the Board of Directors so to fix such consideration is hereby granted by the shareholders. The consideration received by the Corporation from the issuance and sale of new or additional shares of capital stock without par value shall be entered in the capital stock account.

(n) No holder of any stock of the Corporation shall be entitled as of right to purchase or subscribe for any part of any stock of the Corporation authorized herein or of any additional stock of any class to be issued by reason of any increase of the authorized capital stock of the Corporation or of any bonds, certificates of indebtedness, debentures or other securities convertible into stock of the Corporation but any stock authorized herein or any such additional authorized issue of any stock or of securities convertible into stock may be issued and disposed of by the Board of Directors to such persons, firms, corporations or associations upon such terms and conditions as the Board of Directors in their discretion may determine without offering any thereof on the same terms or any terms to the shareholders then of record or to any class of shareholders.

FOURTH: The duration of the Corporation shall be perpetual.

FIFTH: The number of Directors of the Corporation shall be such number, not to exceed eleven (11), as shall be specified from time to time by the Board of Directors in the Bylaws; provided, however, that if the right to elect a majority of the Board of Directors shall have accrued to the holders of the Preferred Stock as provided in paragraph (1) of subdivision (j) of Article THIRD, then, during such period as such holders shall have such right, the number of directors may exceed eleven (11). The Directors shall be divided into three classes, as nearly equal in number as possible. Commencing with the directors elected at the 1987 Annual Meeting of Shareholders, the term of office of the first class shall expire at the 1988 Annual Meeting of Shareholders, the term of office of the second class shall expire at the 1989 Annual

Meeting of Shareholders and the term of office of the third class shall expire at the 1990 Annual Meeting of Shareholders. At each Annual Meeting of Shareholders thereafter, Directors elected to succeed those Directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Shareholders after their election. Notwithstanding the foregoing, Directors elected by the holders of the Preferred Stock in accordance with paragraph (1) of subdivision (j) of Article THIRD shall be elected for a term which shall expire not later than the next Annual Meeting of Shareholders. All Directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified.

Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD, (a) any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors and any director so elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and (b) any directorship to be filled by reason of an increase in the number of Directors may be filled by the Board of Directors for a term of office continuing only until the next election of Directors by the shareholders.

No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD and the provisions of the next preceding paragraph of this Article FIFTH, any Director may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all of the shares of capital stock of the Corporation entitled generally to vote in the election of directors (such stock being hereinafter in these Articles of Incorporation called "Voting Stock"), voting together as a single class, at a meeting of shareholders called expressly for that purpose; provided, however, that if less than the entire Board of Directors is to be removed, no one of the directors may be removed if the votes cast against the removal of such director would be sufficient to elect such director if then cumulatively voted at an election of the class of Directors of which such director is a part.

Notwithstanding anything contained in these Articles of Incorporation to the contrary, the provisions of this Article FIFTH shall not be altered, amended or repealed, and no provision inconsistent therewith shall be included in these Articles of Incorporation or the Bylaws of the Corporation, without the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the shares of the Voting Stock, voting together as a single class.

SIXTH: That the principal place of business of said Corporation shall be Spokane, Spokane County, Washington.

SEVENTH: The corporate powers shall be exercised by the Board of Directors, except as otherwise provided by statute or by these Articles of Incorporation. The Board of Directors shall have power to authorize the payment of compensation to the Directors for services to the Corporation, including fees for attendance at meetings of the Board of Directors and other meetings, and to determine the amount of such compensation and fees.

The Board of Directors shall have power to adopt, alter, amend and repeal the Bylaws of the Corporation. To the extent provided under the laws of the state of Washington, any Bylaws adopted by the Directors under the powers conferred hereby may be repealed or changed by the shareholders.

An Executive Committee may be appointed by and from the Board of Directors in such manner and subject to such regulations as may be provided in the Bylaws, which committee shall have and may exercise, when the Board is not in session, all the powers of said Board which may be lawfully delegated

subject to such limitations as may be provided in the Bylaws or by resolutions of the Board. The fact that the Executive Committee has acted shall be conclusive evidence that the Board was not in session at the time of such action. Additional committees may be appointed by and from the Board of Directors in such manner and subject to such regulations as may be provided in the Bylaws. Any action required or permitted by these Articles of Incorporation to be taken by the Board of Directors of the Corporation may be taken by a duly authorized committee of the Board of Directors, except as otherwise required by law.

No Director shall have any personal liability to the Corporation or its shareholders for monetary damages for his or her conduct as a Director of the Corporation; provided, however, that nothing herein shall eliminate or limit any liability which may not be so eliminated or limited under Washington law, as from time to time in effect. No amendment, modification or repeal of this paragraph shall eliminate or limit the protection afforded by this paragraph with respect to any act or omission occurring prior to the effective date thereof.

The Corporation shall, to the full extent permitted by applicable law, as from time to time in effect, indemnify any person made a party to, or otherwise involved in, any proceeding by reason of the fact that he or she is or was a Director of the Corporation against judgments, penalties, fines, settlements and reasonable expenses actually incurred by him or her in connection with such proceeding. The Corporation shall pay any reasonable expenses incurred by a Director in connection with any such proceeding in advance of the final determination thereof upon receipt from such Director of such undertakings for repayment as may be required by applicable law and a written affirmation by such director that he or she has met the standard of conduct necessary for indemnification, but without any prior determination, which would otherwise be required by Washington law, that such standard of conduct has been met. The Corporation may enter into agreements with each Director obligating the Corporation to make such indemnification and advances of expenses as are contemplated herein. Notwithstanding the foregoing, the Corporation shall not make any indemnification or advance which is prohibited by applicable law. The rights to indemnity and advancement of expenses granted herein shall continue as to any person who has ceased to be a Director and shall inure to the benefit of the heirs, executors and administrators of such a person.

A Director of the Corporation shall not be disqualified by his office from dealing or contracting with this Corporation either as a vendor, purchaser or otherwise, nor shall any transaction or contract of the Corporation be void or voidable by reason of the fact that any Director, or any firm of which any Director is a member, or any corporation of which any Director is a shareholder or Director, is in any way interested in such transaction or contract, provided that such transaction or contract is or shall be authorized, ratified, or approved, either (1) by vote of a majority of a quorum of the Board of Directors or of the Executive Committee without counting in such majority or quorum any Directors so interested, or a member of a firm so interested, or a shareholder or Director of a corporation so interested; or (2) by the written consent or by vote at a shareholders' meeting of the holders of record of a majority in number of all the outstanding shares of capital stock of the Corporation entitled to vote; nor shall any Director be liable to account to the Corporation for any profits realized by and from or through any such transaction or contract of the Corporation authorized, ratified, or approved as aforesaid by reason of the fact that he, or any firm of which he is a member, or any corporation of which he is a shareholder or a Director, was interested in such transaction or contract. Nothing herein contained shall create any liability in the events above described or prevent the authorization, ratification or approval of such transaction or contract in any other manner approved by law.

Shareholders shall have no rights, except as conferred by statute or by the Bylaws, to inspect any book, paper or account of the Corporation.

Any property of the Corporation not essential to the conduct of its corporate business may be sold, leased, exchanged, or otherwise disposed of, by authority of its Board of Directors and the Corporation may sell, lease, exchange or otherwise dispose of, all of its property and franchises, or any of its property, franchises, corporate rights, or privileges, essential to the conduct of its corporate business and purposes upon the consent of and for such consideration and upon such terms as may be authorized by a majority of all of the Directors and the holders of two-thirds of the issued and outstanding shares of the Corporation having voting power (or, if the consent or vote of a larger number or different proportion of the Directors and/or shares is required by the laws of the state of Washington, notwithstanding the above agreement of the shareholders of the Corporation to the contrary, then upon the consent or vote of the larger number or different proportion of the Directors and/or shares so required) expressed in writing, or by vote at a meeting of holders of the shares of the Corporation having voting power duly held as provided by law, or in the manner provided by the Bylaws of the Corporation, if not inconsistent therewith.

Upon the affirmative vote of the holders of two-thirds of the issued and outstanding shares of the Corporation having voting power given at a meeting of the holders of the shares of the Corporation having voting power duly called for that purpose or when authorized by the written consent of the holders of two-thirds of the issued and outstanding shares of the Corporation having voting power and upon the vote of a majority of the Board of Directors, all of the property, franchises, rights and assets of the Corporation may be sold, conveyed, assigned and transferred as an entirety to a new company to be organized under the laws of the United States, the state of Washington or any other state of the United States, for the purpose of so taking over all the property, franchises, rights and assets of the Corporation, with the same or a different authorized number of shares of stock and with the same preferences, voting powers, restrictions and qualifications thereof as may then attach to the classes of stock of the Corporation then outstanding so far as the same shall be consistent with such laws of the United States or of Washington or of such other state (provided that the whole or any part of such stock or of any class thereof may be stock with or without a nominal or par value), the consideration for such sale and conveyance to be the assumption by such new company of all of the then outstanding liabilities of the Corporation and the issuance and delivery by the new company of shares of stock (any or all thereof either with or without nominal or par value) of such new company of the several classes into which the stock of the Corporation is then divided equal in number to the number of shares of stock of the Corporation of said several classes then outstanding. In the event of such sale, each holder of stock of the Corporation agrees so far as he may be permitted by the laws of Washington forthwith to surrender for cancellation his certificate or certificates for stock of the Corporation and to receive and accept in exchange therefor, as his full and final distributive share of the proceeds of such sale and conveyance and of the assets of the Corporation, a number of shares of the stock of the new company of the class corresponding to the class of the shares surrendered equal in number to the shares of stock of the Corporation so surrendered, and in such event no holder of any of the stock of the Corporation shall have any rights or interests in or against the Corporation, except the right upon surrender of his certificate as aforesaid properly endorsed, to receive from the Corporation certificates for such shares of said new company as herein provided. Such new company may have all or any of the powers of the Corporation and the certificate of incorporation and bylaws of such new company may contain all or any of the provisions contained in the Articles of Incorporation and Bylaws of the Corporation.

Upon the written assent, in person or by proxy, or pursuant to the affirmative vote, in person or by proxy, of the holders of a majority in number of the shares then outstanding and entitled to vote (or, if the assent or vote of a larger number or different proportion of shares is required by the laws of the state of Washington notwithstanding the above agreement of the shareholders of the Corporation to the contrary, then upon the assent or vote of the larger number or different proportion of the shares so required) (1) any or every statute of the state of Washington hereafter enacted, whereby the rights, powers or privileges of the Corporation are or may be increased, diminished, or in any way affected, or whereby the

rights, powers or privileges of the shareholders of corporations organized under the law under which the Corporation is organized are increased, diminished or in any way affected or whereby effect is given to the action taken by any part less than all of the shareholders of any such corporation shall, notwithstanding any provision which may at the time be contained in these Articles of Incorporation or any law, apply to the Corporation, and shall be binding not only upon the Corporation but upon every shareholder thereof, to the same extent as if such statute had been in force at the date of the making and filing of these Articles of Incorporation and/or (2) amendments to said Articles authorized at the time of the making of such amendments by the laws of the state of Washington may be made; provided, however, that (a) the provisions of Article THIRD hereof limiting the preemptive rights of shareholders, requiring majority voting in the election of Directors and regarding entry in the capital stock account of consideration received upon the sale of shares of capital stock without nominal or par value and all of the provisions of Article FIFTH hereof shall not be altered, amended, repealed, waived or changed in any way, unless the holders of record of at least two-thirds of the number of shares entitled to vote then outstanding shall consent thereto in writing or affirmatively vote therefor in person or by proxy at a meeting of shareholders at which such change is duly considered.

Special meetings of the shareholders may be called by the President, the Chairman of the Board of Directors, a majority of the Board of Directors, any Executive Committee of the Board of Directors, and shall be called by the President at the request of the holders of at least two-thirds (2/3) of the voting power of all of the shares of the Voting Stock, voting together as a single class. Only those matters that are specified in the call of or request for a special meeting may be considered or voted upon at such meeting.

Notwithstanding anything contained in these Articles of Incorporation to the contrary, the paragraph in this Article SEVENTH relating to the adoption, alteration, amendment, change and repeal of the Bylaws of the Corporation, the paragraph in this Article SEVENTH relating to the calling and conduct of special meetings of the shareholders and this paragraph, and the provisions of the Bylaws of the Corporation relating to procedures for the nomination of Directors, shall not be altered, amended or repealed, and no provision inconsistent therewith shall be included in these Articles of Incorporation or the Bylaws of the Corporation, without the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all the shares of the Voting Stock, voting together as a single class.

EIGHTH:

(a) In addition to any affirmative vote required by law or these Articles of Incorporation, and except as otherwise expressly provided in subdivision (b) of this Article EIGHTH:

(1) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Shareholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Shareholder; or

(2) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of $10,000,000 or more; or

(3) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities

or other property (or a combination thereof) having an aggregate Fair Market Value of $10,000,000 or more; or

(4) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(5) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Shareholder or any Affiliate of any Interested Shareholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of all of the shares of the Voting Stock, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required or that the vote of a lower percentage may be specified, by law or in any agreement with any national securities exchange or otherwise. The term "Business Combination" as used in this Article EIGHTH shall mean any transaction which is referred to in any one or more of paragraphs (1) through (5) of this subdivision (a).

(b) The provisions of subdivision (a) of this Article EIGHTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, as is required by law and any other provision of these Articles of Incorporation, if all of the conditions specified in either paragraph (1) or paragraph (2) below are met:

(1) The Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined); or

(2) All of the following conditions shall have been met:

(A) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest of the following:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of Common Stock acquired by it (x) within the two-year period immediately prior to the date of the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (y) in the transaction in which it became an Interested Shareholder, whichever is higher;

(ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder (the "Determination Date"), whichever is higher; and

(iii) (if applicable) the price per share equal to the Fair Market Value per share of Common Stock determined pursuant to clause (A)(ii) above, multiplied by the ratio of (x) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date to (y) the Fair Market Value per share of Common Stock on the first day in such two-year period upon which the Interested Shareholder acquired any shares of Common Stock.

(B) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of each class of outstanding Voting Stock (other than Common Stock and Institutional Voting Stock [as hereinafter defined]) shall be at least equal to the highest of the following (it being intended that the requirements of this subparagraph (B) shall be required to be met with respect to every class of outstanding Voting Stock (other than Institutional Voting Stock), whether or not the Interested Shareholder has previously acquired any shares of a particular class of Voting Stock):

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of such class of Voting Stock acquired by it (x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became an Interested Shareholder, whichever is higher;

(ii) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

(iii) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(iv) (if applicable) the price per share equal to the Fair Market Value per share of such class of Voting Stock determined pursuant to clause (B)(iii) above, multiplied by the ratio of (x) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of such class of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date to (y) the Fair Market Value per share of such class of Voting Stock on the first day in such two-year period upon which the Interested Shareholder acquired any shares of such class of Voting Stock.

(C) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Shareholder has previously paid for shares of such class of Voting Stock. If the Interested Shareholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by it.

(D) After such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination:

(i) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor full dividends (whether or not cumulative) on the outstanding shares of stock of all classes ranking prior as to dividends to the Common Stock;

(ii) there shall have been (x) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Continuing Directors, and (y) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure to so increase such annual rate is approved by a majority of the Continuing Directors; and

(iii) such Interested Shareholder shall not have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Shareholder becoming an Interested Shareholder.

(E) After such Interested Shareholder has become an Interested Shareholder, such Interested Shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(F) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

(c) For the purposes of this Article EIGHTH:

The terms "Affiliate" and "Associate" have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1987.

A person shall be deemed to be a "beneficial owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly, or;

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time),

pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

For the purposes of determining whether a person is an Interested Shareholder the number of shares of Voting Stock deemed to be outstanding shall include all shares of which such person is the beneficial owner in accordance with the foregoing definition but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

The term "Continuing Director" means any member of the Board of Directors of the Corporation who is unaffiliated with the Interested Shareholder and was a member of the Board of Directors prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director who is unaffiliated with the Interested Shareholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board of Directors.

The term "Fair Market Value" means (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Continuing Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

The term "Interested Shareholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not

involving a public offering within the meaning of the Securities Act of 1933, as amended.

The term "Institutional Voting Stock" shall mean any class of Voting Stock which was issued to and continues to be held solely by one or more insurance companies, pension funds, commercial banks, savings banks or similar financial institutions or institutional investors.

The term "person" shall mean any individual, firm, corporation or other entity.

The term "Subsidiary" shall mean any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the corporation; *provided, however*, that for the purposes of the definition of Interested Shareholder set forth above, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

The term "Voting Stock" has the meaning ascribed to such term in Article FIFTH.

In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in paragraphs 2(A) and 2(B) of subdivision (b) of this Article EIGHTH shall include the shares of Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

(d) The Directors of the Corporation shall have the power and duty to determine for the purposes of this Article EIGHTH, on the basis of information known to them after reasonable inquiry, (A) whether a person is an Interested Shareholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another person, (D) whether a class of Voting Stock is Institutional Voting Stock, and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of $10,000,000 or more.

Nothing contained in this Article EIGHTH shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

Notwithstanding anything contained in these Articles of Incorporation to the contrary, the provisions of this Article EIGHTH shall not be altered, amended or repealed, and no provision inconsistent therewith shall be included in these Articles of Incorporation or the Bylaws of the Corporation, without the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the shares of the Voting Stock, voting together as a single class.

IN WITNESS WHEREOF, we have set our hands and seals under these presents, this 12th day of May 2008.

Scott L. Morris, *Chairman of the Board, President and Chief Executive Officer*

ATTEST:

Karen S. Feltes, *Sr. Vice President and Corporate Secretary*

Certificate

STATE OF WASHINGTON
County of Spokane ss.

Scott L. Morris and *Karen S. Feltes*, being first duly sworn on oath, depose and say:

(a) That they have been authorized to execute the within Restated Articles of Incorporation by resolution of the Board of Directors adopted on the 9th day of May 2008; and

(b) That subdivision (k) of Article THIRD of these Restated Articles of Incorporation correctly sets forth the text of the amendment as approved by the shareholders on the 8th of May 2008 in accordance with the provisions of RCW 23B.10.030 and 23B.10.040; and

(c) That these Restated Articles of Incorporation correctly set forth the text of the Articles as amended (to (i) reflect the amendment approved by the shareholders referred to under (b) above and (ii) eliminate the terms of retired series of Preferred Stock) and approved by the Board of Directors on the 9th day of May, 2008 and, except as indicated under (b) above, no shareholder action was required as shown on exhibit A

(d) That these Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments thereto and restatements thereof.

Scott L Morris
Scott L. Morris, *Chairman of the Board, President and Chief Executive Officer*

Karen S. Feltes
Karen S. Feltes, *Sr. Vice President and Corporate Secretary*

SUBSCRIBED AND SWORN to before me this 20TH day of May 2008.

(SEAL)

TRACY M. TOWNLEY NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES OCTOBER 24, 2010

Notary Public in and for the state of Washington, residing in the County of Spokane. My commission expires Oct. 24, 2010.

Tracy M Townley Tracy M. Townley
Signature Printed Name

Exhibit F

AMENDMENTS EFFECTED BY RESTATEMENT
OF
ARTICLES OF INCORPORATION
OF
AVISTA CORPORATION

Pursuant to the provisions of RCW 23B.10.030 and 23B.10.040, the shareholders approved the following amendment to the Articles of Incorporation of Avista Corporation on May 8, 2008.

1. Subdivision (k) of Article THIRD is hereby amended to read in its entirety as follows:

"(k) Subject to the limitations set forth in subdivision (j) of this Article THIRD (and subject to the rights of any class of stock hereafter authorized), and except as may be otherwise provided by law, the holders of the Common Stock shall have the exclusive right to vote for the election of Directors and for all other purposes. At each meeting of shareholders, each holder of stock entitled to vote thereat shall be entitled to one vote for each share of such stock held by him and recorded in his name on the record date for such meeting, and may vote and otherwise act in person or by proxy. Voting in the election of directors by shares within each voting group shall be governed by the additional provisions set forth below:

(1) In an election of directors which is not a contested election (as defined below):

(A) Each vote entitled to be cast may be cast for or cast against one or more candidates, or a shareholder may indicate an abstention with respect to one or more candidates. Shareholders shall not be entitled to cumulate votes;

(B) A candidate shall be elected by such voting group if the number of votes cast within such voting group for such candidate exceeds the number of votes cast within such voting group against such candidate. A candidate who does not receive such majority of votes cast but who is a director at the time of the election shall continue to serve as a director for a term that shall terminate on the date that is the earliest of (I) the date of the commencement of the term of a new director selected by the board of directors to fill the office held by such director, (II) the effective date of the resignation of such director and (III) the date of the next Annual Meeting of Shareholders;

(C) Only votes cast for and votes cast against a candidate shall be taken into account in determining whether the votes required for the election of such candidate have been received. Shares otherwise present at the meeting but for which there is an abstention with respect to a candidate or as to which no authority or direction to vote is given or specified with respect to a candidate shall not be deemed to have been voted; and

(D) In the event that a director does not receive the required majority vote for election, a majority of the other directors duly elected by shares with in such voting group in such or a prior election may select any qualified individual to fill the office held by such director, such selection being deemed to constitute the filling of a vacancy.

(2) In a contested election:

(A) Each vote entitled to be cast may be cast for one or more candidates (not to exceed the number of directors to be elected), or may be withheld with respect to one or more candidates. Shareholders shall not be entitled to cumulate votes; and

(B) The candidates elected shall be those receiving the largest numbers of votes cast within such voting group, up to the number of directors to be elected.

(3) An election of directors by a voting group shall be deemed to be a "contested election" with respect to such voting group if at the expiration of the time fixed in the Bylaws requiring advance notice of a shareholder's intent to nominate a person for election as a director, there are more candidates for election by such voting group than the number of directors to be elected by such voting group, one or more of whom have been properly proposed by shareholders."

EXHIBIT B

BYLAWS

OF

AVISTA CORPORATION

As Amended May 9, 2008

BYLAWS
OF
AVISTA CORPORATION
* * * * *

ARTICLE I.
Offices

The principal office of the Corporation shall be in the City of Spokane, Washington. The Corporation may have such other offices, either within or without the State of Washington, as the Board of Directors may designate from time to time.

ARTICLE II.
Shareholders

Section 1. Annual Meeting. The Annual Meeting of Shareholders shall be held on such date in the month of May in each year as determined by the Board of Directors for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the Annual Meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.

Section 2. Special Meetings. Special meetings of the shareholders may be called by the President, the Chairman of the Board, the majority of the Board of Directors, or the Executive Committee of the Board, and shall be called by the President at the request of the holders of not less than two-thirds (2/3) of the voting power of all shares of the voting stock voting together as a single class. Only those matters that are specified in the call of or request for a special meeting may be considered or voted at such meeting.

Section 3. Place of Meeting. Meetings of the shareholders, whether they be annual or special, shall be held at the principal office of the Corporation, unless a place, either within or without the state, is otherwise designated by the Board of Directors in the notice provided to shareholders of such meetings.

Section 4. Notice of Meeting. Written or printed notice of every meeting of shareholders shall be mailed by the Corporate Secretary or any Assistant Corporate Secretary, not less than ten (10) nor more than fifty (50) days before the date of the meeting, to each holder of record of stock entitled to vote at the meeting. The notice shall be mailed to each shareholder at his last known post office address, provided, however, that if a shareholder is present at a meeting, or waives notice thereof in writing before or after the meeting, the notice of the meeting to such shareholders shall be unnecessary.

Section 5. Voting of Shares. At every meeting of shareholders each holder of stock entitled to vote thereat shall be entitled to one vote for each share of such stock held in his name on the books of the Corporation, subject to the provisions of applicable law, and may vote and otherwise act in person or by proxy.

Section 6. Quorum. The holders of a majority of the number of outstanding shares of stock of the Corporation entitled to vote thereat, present in person or by proxy at any meeting, shall constitute a quorum, but less than a quorum shall have power to adjourn any meeting from time to time without notice. No change shall be made in this Section 6 without the affirmative vote of the holders of at least a majority of the outstanding shares of stock entitled to vote.

Section 7. Closing of Transfer Books or Fixing of Record Date. For the purposes of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty (50) days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than seventy (70) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

Section 8. Voting Record. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten (10) days before each meeting of shareholders, a complete record of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which record, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

Section 9. Conduct of Proceedings. The Chairman of the Board shall preside at all meetings of the shareholders. In the absence of the Chairman, the President shall preside and in the absence of both, the Executive Vice President shall preside. The members of the Board of Directors present at the meeting may appoint any officer of the Corporation or member of the Board to act as Chairman of any meeting in the absence of the Chairman, the President, or Executive Vice President. The Corporate Secretary of the Corporation, or in his absence, an Assistant Corporate Secretary, shall act as Secretary at all meetings of the shareholders. In the absence of the Corporate Secretary or Assistant Corporate Secretary at any meeting of the shareholders, the presiding officer may appoint any person to act as Secretary of the meeting.

Section 10. Proxies. At all meetings of shareholders, a shareholder may vote in person or by proxy. A shareholder or the shareholder's duly authorized agent or attorney-in-fact may appoint a proxy by (i) executing a proxy in writing or (ii) transmitting or authorizing the transmission of an electronic proxy in any manner permitted by law. Such proxy shall be filed with the Corporate Secretary of the Corporation before or at the time of the meeting.

Section 11. Advance Notice of Business to be Presented at Annual Meeting. (a) Shareholders may propose business to be brought before the Annual Meeting of Shareholders only if (i) such business is a proper matter for shareholder action under the Washington Business Corporation Act and (ii) the shareholder has given timely notice in proper written form of such shareholder's intent to propose such business; (b) to be timely, a shareholder's notice relating to the Annual Meeting shall be delivered to the Corporate Secretary at the principal executive offices of the Corporation not less than 120 or more than 180 days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's Annual Meeting of Shareholders. However, if the date of the Annual Meeting is advanced more than 30 days prior to or delayed by more than 30 days after the Anniversary of the preceding year's Annual Meeting, then notice by the shareholder to be timely must be delivered to the Corporate Secretary at the principal executive offices of the Corporation not later than the close of business on the later of (i) the 90th day prior to such Annual Meeting or (ii) the 15th day following the day on which public announcement of the date of such meeting is first made. In no event shall an adjournment of an Annual Meeting, or any announcement or notice of such an adjournment, commence a new time period for the giving of a shareholder's notice as set forth above; (c) to be in proper form a shareholder's notice to the Corporate Secretary shall be in writing and shall set forth (i) the name and address of the shareholder who intends to make the proposal and the classes and numbers of shares of the Corporation's capital stock owned of record by such shareholder, (ii) a representation that the shareholder intends to vote such stock at such meeting, (iii) a description of the business the shareholder intends to bring before the meeting, including such information as would be required to be included in a proxy statement filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), had the matter been proposed, or intended to be proposed, by the Board of Directors of the Corporation, (iv) the name and address of any beneficial owner(s) of the Corporation's stock on whose behalf such business is to be presented and the class and number of shares beneficially owned by each such beneficial owner (beneficial ownership to be determined pursuant to Rule 13d-3 under the Exchange Act) and (v) any material interest in such business of such shareholder or any such beneficial owner; (d) only such business as shall have been brought before the meeting in accordance with the procedures set forth in this Section 11 shall be conducted at an Annual Meeting of Shareholders. The Chairman of the meeting shall have the power and the duty to determine whether any business proposed to be brought before a meeting was proposed in accordance with the procedures set forth in this Section 11, and, if any business is not in compliance with this Section, to declare that such defective proposal shall be disregarded. The determination of the Chairman shall be conclusive; (e) notwithstanding the foregoing provisions of this Section 11, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 11. Nothing in this Section shall be deemed to expand or diminish any rights of a shareholder under Rule 14a-8 under the Exchange Act, or any successor rule to request inclusion of a proposal in the Corporation's proxy statement or to present for action at an Annual Meeting any proposal so included; and (f) only such business as shall have been brought before the meeting pursuant to the Corporation's notice of meeting shall be conducted at a special meeting of shareholders.

ARTICLE III.
Board of Directors

Section 1. General Powers. The powers of the Corporation shall be exercised by or under the authority of the Board of Directors, except as otherwise provided by the laws of the State of Washington and the Articles of Incorporation.

Section 2. Number, Tenure and Eligibility. The number of Directors of the Corporation shall be as fixed from time to time by resolution of the Board of Directors, but shall not be more than eleven (11); provided, however, that if the right to elect a majority of the Board of Directors shall have accrued to the holders of the Preferred Stock as provided in paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, then, during such period as such holders shall have such right, the number of directors may exceed eleven (11). Directors shall be divided into three classes, as nearly equal in number as possible. At each Annual Meeting of Shareholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Shareholders after their election. Notwithstanding the foregoing, directors elected by the holders of the Preferred Stock in accordance with paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation shall be elected for a term, which shall expire not later than the next Annual Meeting of Shareholders. All directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified. No person may be elected or re-elected as a director if at the time of their election or re-election, such person shall have attained the age of seventy (70) years. Any director who attains such age while in office shall retire from the Board of Directors effective at the Annual Meeting of Shareholders held in the year in which their then current term expires, and any such director shall not be nominated or re-elected as a director.

Section 3. Regular Meetings. The regular Annual Meeting of the Board of Directors shall be held immediately following the adjournment of the Annual Meeting of the shareholders or as soon as practicable after said Annual Meeting of Shareholders. But, in any event, said regular Annual Meeting of the Board of Directors must be held on either the same day as the Annual Meeting of Shareholders or the next business day following said Annual Meeting of Shareholders. At such meeting the Board of Directors, including directors newly elected, shall organize itself for the coming year, shall elect officers of the Corporation for the ensuing year, and shall transact all such further business as may be necessary or appropriate. The Board shall hold regular quarterly meetings, without call or notice, on such dates as determined by the Board of Directors. At such quarterly meetings the Board of Directors shall transact all business properly brought before the Board.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the President, the Executive Vice President, the Lead Director or any three (3) directors. Notice of any special meeting shall be given to each director at least two (2) days in advance of the meeting.

Section 5. Emergency Meetings. In the event of a catastrophe or a disaster causing the injury or death to members of the Board of Directors and the principal officers of the

Corporation, any director or officer may call an emergency meeting of the Board of Directors. Notice of the time and place of the emergency meeting shall be given not less than two (2) days prior to the meeting and may be given by any available means of communication. The director or directors present at the meeting shall constitute a quorum for the purpose of filling vacancies determined to exist. The directors present at the emergency meeting may appoint such officers as necessary to fill any vacancies determined to exist. All appointments under this section shall be temporary until a special meeting of the shareholders and directors is held as provided in these Bylaws.

Section 6. Conference by Telephone. The members of the Board of Directors, or of any committee created by the Board, may participate in a meeting of the Board or of the committee by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation in a meeting by such means shall constitute presence in person at a meeting.

Section 7. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The action of a majority of the directors present at a meeting at which a quorum is present shall be the action of the Board.

Section 8. Action Without a Meeting. Any action required by law to be taken at a meeting of the directors of the Corporation, or any action which may be taken at a meeting of the directors or of a committee, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

Section 9. Vacancies. Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, (a) any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors and any director so elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and (b) any directorship to be filled by reason of an increase in the number of directors may be filled by the Board of Directors for a term of office continuing only until the next election of directors by the shareholders.

Section 10. Resignation of Director. Any director or member of any committee may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein. If no time is specified, it shall take effect from the time of its receipt by the Corporate Secretary, who shall record such resignation, noting the day, hour and minute of its reception. The acceptance of a resignation shall not be necessary to make it effective.

Section 11. Removal. Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, any director may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all of the shares of capital stock of the Corporation entitled generally to vote in the election of directors voting together as a single class, at a meeting of shareholders called expressly for that purpose. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 12. Order of Business. The Chairman of the Board shall preside at all meetings of the directors. In the absence of the Chairman, the officer or member of the Board designated by the Board of Directors shall preside. At meetings of the Board of Directors, business shall be transacted in such order as the Board may determine. Minutes of all proceedings of the Board of Directors, or committees appointed by it, shall be prepared and maintained by the Corporate Secretary or an Assistant Corporate Secretary and the original shall be maintained in the principal office of the Corporation.

Section 13. Nomination of Directors. Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD of the Articles of Incorporation, nominations for the election of directors may be made by the Board of Directors, or a nominating committee appointed by the Board of Directors, or by any holder of shares of the capital stock of the Corporation entitled generally to vote in the election of directors (such stock being hereinafter in this Section called "Voting Stock"). However, any holder of shares of the Voting Stock may nominate one or more persons for election as directors at a meeting only if written notice of such shareholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Corporate Secretary not later than (i) with respect to an election to be held at an Annual Meeting of Shareholders, ninety (90) days in advance of such meeting and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that such shareholder is a holder of record of shares of the Voting Stock of the Corporation and intends to appear in person or by proxy at the meeting to nominate the person or persons identified in the notice; (c) a description of all arrangements or understandings between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any subsequent revisions replacing such Act, rules or regulations) if the nominee(s) had been nominated, or were intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a Director of the Corporation if so elected. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Section 14. Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors, or of a committee thereof, at which action on any corporate matter is taken, shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Corporate Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

ARTICLE IV.
Executive Committee
and
Additional Committees

Section 1. Appointment. The Board of Directors, by resolution adopted by a majority of the Board, may designate three or more of its members to constitute an Executive Committee. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

Section 2. Authority. The Executive Committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors including authority to authorize distributions or the issuance of shares of stock, except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee or by law.

Section 3. Tenure. Each member of the Executive Committee shall hold office until the next regular Annual Meeting of the Board of Directors following his designation and until his successor is designated as a member of the Executive Committee.

Section 4. Meetings. Regular meetings of the Executive Committee may be held without notice at such times and places as the Executive Committee may fix from time to time by resolution. Special meetings of the Executive Committee may be called by any member thereof upon not less than two (2) days notice stating the place, date and hour of the meeting, which notice may be written or oral. Any member of the Executive Committee may waive notice of any meeting and no notice of any meeting need be given to any member thereof who attends in person.

Section 5. Quorum. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business at any meeting thereof. Actions by the Executive Committee must be authorized by the affirmative vote of a majority of the appointed members of the Executive Committee.

Section 6. Action Without a Meeting. Any action required or permitted to be taken by the Executive Committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members of the Executive Committee.

Section 7. Procedure. The Executive Committee shall select a presiding officer from its members and may fix its own rules of procedure, which shall not be inconsistent with these Bylaws. It shall keep regular minutes of its proceedings and report the same to the Board of Directors for its information at a meeting thereof held next after the proceedings shall have been taken.

Section 8. Committees Additional to Executive Committee. The Board of Directors may, by resolution, designate one or more other committees, each such committee to consist of two (2) or more of the directors of the Corporation. A majority of the members of any such

committee may determine its action and fix the time and place of its meetings unless the Board of Directors shall otherwise provide.

ARTICLE V.
Officers

Section 1. Number. The Board of Directors shall appoint one of its members Chairman of the Board. The Board of Directors shall also appoint a Chief Executive Officer and a President, one of whom may also serve as Chairman, one or more Vice Presidents, a Corporate Secretary, and a Treasurer. The Board of Directors may from time to time appoint such other officers as the Board deems appropriate. The same person may be appointed to more than one office. The Chief Executive Officer shall have the authority to appoint such assistant officers as might be deemed appropriate.

Section 2. Election and Term of Office. The officers of the Corporation shall be elected by the Board of Directors at the Annual Meeting of the Board. Each officer shall hold office until his successor shall have been duly elected and qualified.

Section 3. Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Powers and Duties. The officers shall have such powers and duties as usually pertain to their offices, except as modified by the Board of Directors, and shall have such other powers and duties as may from time to time be conferred upon them by the Board of Directors.

ARTICLE VI.
Contracts, Checks and Deposits

Section 1. Contracts. The Board of Directors may authorize any officer or officers or agents, to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Checks/Drafts/Notes. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors by resolution may select.

ARTICLE VII.
Certificates for Shares and Their Transfer

Section 1. Certificates for Shares. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors and shall contain such information as prescribed by law. Such certificates shall be signed by the President or a Vice President and by either the Corporate Secretary or an Assistant Corporate Secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Corporate Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes. The Board of Directors shall have power to appoint one or more transfer agents and registrars for transfer and registration of certificates of stock.

ARTICLE VIII.
Corporate Seal

The seal of the Corporation shall be in such form as the Board of Directors shall prescribe.

ARTICLE IX.
Indemnification

Section 1. Indemnification of Directors and Officers. The Corporation shall indemnify and reimburse the expenses of any person who is or was a director, officer, agent or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another enterprise or employee benefit plan to the extent permitted by and in accordance with Article SEVENTH of the Company's Articles of Incorporation and as permitted by law.

Section 2. Liability Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer,

employee or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the laws of the State of Washington.

Section 3. Ratification of Acts of Director, Officer or Shareholder. Any transaction questioned in any shareholders' derivative suit on the ground of lack of authority, defective or irregular execution, adverse interest of director, officer or shareholder, nondisclosure, miscomputation, or the application of improper principles or practices of accounting may be ratified before or after judgment, by the Board of Directors or by the shareholders in case less than a quorum of directors are qualified; and, if so ratified, shall have the same force and effect as if the questioned transaction had been originally duly authorized, and said ratification shall be binding upon the Corporation and its shareholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

ARTICLE X.
Amendments

Except as to Section 6 of Article II of these Bylaws, the Board of Directors may alter or amend these Bylaws at any meeting duly held, the notice of which includes notice of the proposed amendment. Bylaws adopted by the Board of Directors shall be subject to change or repeal by the shareholders; provided, however, that Section 2 of Article III, (other than the provision thereof specifying the number of Directors of the Corporation), and Sections 9, 11 and 13 of Article III and this proviso shall not be altered, amended or repealed, and no provision inconsistent therewith or herewith shall be included in these Bylaws, without the affirmative votes of the holders of at least eighty percent (80%) of the voting power of all the shares of the Voting Stock voting together as a single class.

EXHIBIT C
(NOT APPLICABLE TO THIS APPLICATION)

EXHIBIT D
(NOT APPLICABLE TO THIS APPLICATION)

EXHIBIT E

CONDENSED CONSOLIDATED BALANCE SHEETS

Avista Corporation

Dollars in thousands

(Unaudited)

	March 31, 2009	December 31, 2008
Assets:		
Current Assets:		
Cash and cash equivalents	$35,654	$24,313
Accounts and notes receivable-less allowances of $43,017 and $45,062	215,542	218,846
Utility energy commodity derivative assets	4,599	11,234
Regulatory asset for utility derivatives	51,268	60,229
Funds held for customers	60,957	59,095
Materials and supplies, fuel stock and natural gas stored	24,723	53,526
Deferred income taxes	18,509	18,561
Income taxes receivable	2,456	22,769
Other current assets	16,275	13,654
Total current assets	429,983	482,227
Net Utility Property:		
Utility plant in service	3,371,959	3,343,535
Construction work in progress	78,362	77,487
Total	3,450,321	3,421,022
Less: Accumulated depreciation and amortization	946,335	928,831
Total net utility property	2,503,986	2,492,191
Other Property and Investments:		
Investment in exchange power-net	25,521	26,133
Investment in affiliated trusts	13,403	13,403
Goodwill	20,509	21,132
Other property and investments-net	76,091	78,208
Total other property and investments	135,524	138,876
Deferred Charges:		
Regulatory assets for deferred income taxes	101,705	115,005
Regulatory assets for pensions and other postretirement benefits	169,396	172,278
Other regulatory assets	83,927	85,112
Non-current utility energy commodity derivative assets	35,322	49,313
Power cost deferrals	44,867	57,607
Unamortized debt expense	31,862	33,004
Other deferred charges	7,130	5,134
Total deferred charges	474,209	517,453
Total assets	$3,543,702	$3,630,747

The Accompanying Notes are an Integral Part of These Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS - continued

Avista Corporation

Dollars in thousands

(Unaudited)

	March 31, 2009	December 31, 2008
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Accounts payable	$136,648	$176,116
Customer fund obligations	60,957	59,095
Current portion of long-term debt	17,132	17,207
Short-term borrowings	226,100	252,200
Interest accrued	18,942	10,871
Utility energy commodity derivative liabilities	55,867	71,463
Other current liabilities	107,940	101,592
Total current liabilities	623,586	688,544
Long-term debt	809,686	809,258
Long-term debt to affiliated trusts	113,403	113,403
Other Non-Current Liabilities and Deferred Credits:		
Regulatory liability for utility plant retirement costs	214,770	213,747
Non-current regulatory liability for utility derivatives	25,285	42,172
Pensions and other postretirement benefits	170,739	184,588
Deferred income taxes	470,913	488,940
Other non-current liabilities and deferred credits	85,000	82,006
Total other non-current liabilities and deferred credits	966,707	1,011,453
Total liabilities	2,513,382	2,622,658
Commitments and Contingencies (See Notes to Condensed Consolidated Financial Statements)		
Stockholders' Equity:		
Avista Corporation Stockholders' Equity:		
Common stock, no par value; 200,000,000 shares authorized; 54,643,215 and 54,487,574 shares outstanding	775,813	774,986
Accumulated other comprehensive loss	(5,991)	(6,092)
Retained earnings	249,398	227,989
Total Avista Corporation stockholders' equity	1,019,220	996,883
Noncontrolling interests	11,100	11,206
Total stockholders' equity	1,030,320	1,008,089
Total liabilities and stockholders' equity	$3,543,702	$3,630,747

The Accompanying Notes are an Integral Part of These Statements.

EXHIBIT F

	2009	2008
Earnings per common share attributable to Avista Corporation:		
Basic	$0.57	$0.48
Diluted	$0.57	$0.47

Total stock options outstanding that were not included in the calculation of diluted earnings per common share were 355,350 for the three months ended March 31, 2009, and 315,750 for the three months ended March 31, 2008. These stock options were excluded from the calculation because they were antidilutive based on the fact that the exercise price of the stock options was higher than the average market price of Avista Corp. common stock during the respective period.

NOTE 11. COMMITMENTS AND CONTINGENCIES

In the course of its business, the Company becomes involved in various claims, controversies, disputes and other contingent matters, including the items described in this Note. Some of these claims, controversies, disputes and other contingent matters involve litigation or other contested proceedings. With respect to these proceedings, the Company intends to vigorously protect and defend its interests and pursue its rights. However, no assurance can be given as to the ultimate outcome of any particular matter because litigation and other contested proceedings are inherently subject to numerous uncertainties. With respect to matters that affect Avista Utilities' operations, the Company intends to seek, to the extent appropriate, recovery of incurred costs through the ratemaking process.

Federal Energy Regulatory Commission Inquiry

On April 19, 2004, the FERC issued an order approving the contested Agreement in Resolution of Section 206 Proceeding (Agreement in Resolution) reached by Avista Corp. doing business as Avista Utilities, Avista Energy and the FERC's Trial Staff with respect to an investigation into the activities of Avista Utilities and Avista Energy in western energy markets during 2000 and 2001. In the Agreement in Resolution, the FERC Trial Staff stated that its investigation found: (1) no evidence that any executives or employees of Avista Utilities or Avista Energy knowingly engaged in or facilitated any improper trading strategy; (2) no evidence that Avista Utilities or Avista Energy engaged in any efforts to manipulate the western energy markets during 2000 and 2001; and (3) that Avista Utilities and Avista Energy did not withhold relevant information from the FERC's inquiry into the western energy markets for 2000 and 2001. In April 2005 and June 2005, the California Parties and the City of Tacoma, respectively, filed petitions for review of the FERC's decisions approving the Agreement in Resolution with the United States Court of Appeals for the Ninth Circuit (Ninth Circuit). Based on the FERC's order approving the Agreement in Resolution and the FERC's denial of rehearing requests, the Company does not expect that this proceeding will have any material adverse effect on its financial condition, results of operations or cash flows.

California Refund Proceeding

In July 2001, the FERC ordered an evidentiary hearing to determine the amount of refunds due to California energy buyers for purchases made in the spot markets operated by the California Independent System Operator (CalISO) and the California Power Exchange (CalPX) during the period from October 2, 2000 to June 20, 2001 (Refund Period). The findings of the FERC administrative law judge were largely adopted in March 2003 by the FERC. The refunds ordered are based on the development of a mitigated market clearing price (MMCP) methodology. If the refunds required by the formula would cause a seller to recover less than its actual costs for the Refund Period, the FERC has held that the seller would be allowed to document these costs and limit its refund liability commensurately. In September 2005, Avista Energy submitted its cost filing claim pursuant to the FERC's August 2005 order and demonstrated an overall revenue shortfall for sales into the California spot markets during the Refund Period after the MMCP methodology is applied to its transactions. That filing was accepted in orders issued by the FERC in January 2006 and November 2006. In its February 2007 status report, the CalISO stated that it intends to process Avista Energy's cost offset filing (see further discussion regarding the California refund rerun below).

In 2001, Pacific Gas & Electric (PG&E) and Southern California Edison (SCE) defaulted on payment obligations to the CalPX and the CalISO. As a result, the CalPX and the CalISO failed to pay various energy sellers, including Avista Energy. Both PG&E and the CalPX declared bankruptcy in 2001. In March 2002, SCE paid its defaulted obligations to the CalPX. In April 2004, PG&E paid its defaulted obligations into an escrow fund in accordance with its bankruptcy reorganization. Funds held by the CalPX and in the PG&E escrow fund are not subject to release until the FERC issues an order directing such release in the California refund proceeding. As of March 31, 2009, Avista Energy's accounts receivable outstanding related to defaulting parties in California were fully offset by reserves for uncollected amounts and funds collected from defaulting parties.

In addition, in June 2003, the FERC issued an order to review bids above $250 per MW made by participants in the short-term energy markets operated by the CalISO and the CalPX from May 1, 2000 to October 2, 2000. In May 2004, the FERC provided notice that Avista Energy was no longer subject to this investigation. In March and April 2005, the California Parties and PG&E, respectively, petitioned for review of the FERC's decision by the Ninth Circuit. In addition, many of the other orders that the FERC has issued in the California refund proceedings are now on appeal before the Ninth Circuit. Some of those issues were consolidated as a result of a case management conference conducted in September 2004. In October 2004, the Ninth Circuit ordered that briefing proceed in two rounds. The first round is limited to three issues: (1) which parties are subject to the FERC's refund jurisdiction in light of the exemption for government-owned utilities in section 201(f) of the Federal Power Act (FPA); (2) the temporal scope of refunds under section 206 of the FPA; and (3) which categories of transactions are subject to refunds. In September 2005, the Ninth Circuit held that the FERC did not have the authority to order refunds for sales made by municipal utilities in the California Refund Case. In its Order on Remand, issued in October 2007, the FERC ordered the CalISO and the CalPX to complete their refund calculations, including all entities that participated in the CalISO/CalPX markets (including those amounts that would have been paid by municipal utility entities for their sales into the CalISO and the CalPX spot markets during the refund period). The FERC then directed the CalISO to reduce refunds owed to refund recipients by the amounts attributable to municipal sales to the California markets.

In August 2006, the Ninth Circuit upheld October 2, 2000 as the refund effective date for the FPA section 206 Refund Proceeding, but remanded to the FERC its decision not to consider a FPA section 309 remedy for tariff violations prior to October 2, 2000. The Ninth Circuit also granted California's petition for review challenging the FERC's exclusion of the energy exchange transactions as well as the FERC's exclusion of forward market transactions from the California refund proceedings. Petitions for rehearing were denied on April 6, 2009. It is unclear at this time what impact, if any, the Court's remand might have on Avista Energy. The second round of issues and their corresponding briefing schedules have not yet been set by the Ninth Circuit.

The CalISO continues to work on its compliance filing for the Refund Period, which will show "who owes what to whom." On September 3, 2008, the CalISO filed its 42nd status report on the California recalculation process confirming that the preparatory and the FERC refund recalculations are complete (as are calculations related to fuel cost allowance offsets, emission offsets, cost-recovery offsets, and the majority of the interest calculations). The CalISO states that there are eleven (11) open issues that the FERC must rule on before any distribution can be made. Once these issues are ruled on, the CalISO states that it then intends to: (1) perform the necessary adjustment to remove refunds associated with non-jurisdictional entities and allocate that shortfall to net refund recipients; and (2) work with the parties to the various global settlements to make appropriate adjustments to the CalISO's data in order to properly reflect those adjustments.

Any potential liabilities or refunds owed by or to Avista Energy in the California Refund Proceeding were retained by Avista Corp. and/or its subsidiaries and have not been transferred to Shell Energy and/or its affiliates based upon the sales agreement.

Because the resolution of the California refund proceeding remains uncertain, legal counsel cannot express an opinion on the extent of the Company's liability, if any. However, based on information currently known to the Company's management, the Company does not expect that the California refund proceeding will have a material adverse effect on its financial condition, results of operations or cash flows. This is primarily due to the fact that FERC orders have stated that any refunds will be netted against unpaid amounts owed to the respective parties and the Company does not believe that refunds would exceed unpaid amounts owed to the Company.

Pacific Northwest Refund Proceeding

In July 2001, the FERC initiated a preliminary evidentiary hearing to develop a factual record as to whether prices for spot market sales of wholesale energy in the Pacific Northwest between December 25, 2000, and June 20, 2001, were just and reasonable. During the hearing, Avista Corp., doing business as Avista Utilities, and Avista Energy vigorously opposed claims that rates for spot market sales were unjust and unreasonable and that the imposition of refunds would be appropriate. In June 2003, the FERC terminated the Pacific Northwest refund proceedings, after finding that the equities do not justify the imposition of refunds. These equitable factors included the fact that the participants in the Pacific Northwest market include not only utilities and other entities that are subject to FERC jurisdiction, but also a very substantial number of governmental entities that are not subject to FERC jurisdiction with respect to wholesale sales and thus could not be ordered by the FERC to make refunds based on existing law.

Seven petitions for review were filed with the Ninth Circuit challenging the merits of the FERC's decision not to order refunds and raising procedural issues.

On August 24, 2007, the Ninth Circuit issued its opinion on the consolidated petitions for review of the Pacific Northwest refund proceeding. The Ninth Circuit found that the FERC, in denying the request for refunds, had failed to take into account new evidence of market manipulation in the California energy market and its potential ties to the Pacific Northwest energy market and that such failure was arbitrary and capricious and, accordingly, remanded the case to the FERC, stating that the FERC's findings must be reevaluated in light of the evidence. In addition, the Ninth Circuit concluded that the FERC abused its discretion in denying potential relief for transactions involving energy that was purchased in the Pacific Northwest and ultimately consumed in California. The Ninth Circuit expressly declined to direct the FERC to grant refunds. Requests for rehearing were denied on April 10, 2009.

Both Avista Utilities and Avista Energy were buyers and sellers of energy in the Pacific Northwest energy market during the period between December 25, 2000, and June 20, 2001, and, if refunds were ordered by the FERC, could be liable to make payments, but also could be entitled to receive refunds from other FERC-jurisdictional entities. The opportunity to make claims against non-jurisdictional entities may be limited based on existing law. The Company cannot predict the outcome of this proceeding or the amount of any refunds that Avista Utilities or Avista Energy could be ordered to make or could be entitled to receive. Therefore, the Company cannot predict the potential impact the outcome of this matter could ultimately have on the Company's results of operations, financial condition or cash flows.

California Attorney General Complaint

In May 2002, the FERC conditionally dismissed a complaint filed in March 2002 by the Attorney General of the State of California (California AG) that alleged violations of the Federal Power Act by the FERC and all sellers (including Avista Corp. and its subsidiaries) of electric power and energy into California. The complaint alleged that the FERC's adoption and implementation of market-based rate authority was flawed and, as a result, individual sellers should refund the difference between the rate charged and a just and reasonable rate. In May 2002, the FERC issued an order dismissing the complaint but directing sellers to re-file certain transaction summaries. It was not clear that Avista Corp. and its subsidiaries were subject to this directive but the Company took the conservative approach and re-filed certain transaction summaries in June and July of 2002. In July 2002, the California AG requested a rehearing on the FERC order, which request was denied in September 2002. Subsequently, the California AG filed a Petition for Review of the FERC's decision with the Ninth Circuit. In September 2004, the Ninth Circuit upheld the FERC's market-based rate authority, but held that the FERC erred in ruling that it lacked authority to order refunds for violations of its reporting requirement. The Court remanded the case for further proceedings, but did not order any refunds, leaving it to the FERC to consider appropriate remedial options. Nonetheless, the California AG has interpreted the decision as providing authority to the FERC to order refunds in the California refund proceeding for an expanded refund period.

In March 2008, the FERC issued an order establishing a trial-type hearing to address "whether any individual public utility seller's violation of the Commission's market-based rate quarterly reporting requirement led to an unjust and unreasonable rate for that particular seller in California during the 2000-2001 period." Purchasers in the California markets will be allowed to present evidence that "any seller that violated the quarterly reporting requirement failed to disclose an increased market share sufficient to give it the ability to exercise market power and thus cause its market-based rates to be unjust and unreasonable." In particular, the parties are directed to address whether the seller at any point reached a 20 percent generation market share threshold, and if the seller did reach a 20 percent market share, whether other factors were present to indicate that the seller did not have the ability to exercise market power. The first prehearing conference before an administrative law judge in the case is scheduled for May 1, 2009.

Based on information currently known to the Company's management, the Company does not expect that this matter will have a material adverse effect on its financial condition, results of operations or cash flows.

Colstrip Generating Project Complaints

In March 2007, two families that own property near the holding ponds from Units 3 & 4 of the Colstrip Generating Project (Colstrip) filed a complaint against the owners of Colstrip and Hydrometrics, Inc. in Montana District Court. Avista Corp. owns a 15 percent interest in Units 3 & 4 of Colstrip. The plaintiffs allege that the holding ponds and remediation activities have adversely impacted their property. They allege contamination, decrease in water tables, reduced flow of streams on their property and other similar impacts to their property. They also seek punitive damages, attorney's fees and other relief similar to that asserted in the litigation described above. No trial date has been set. Because the resolution of this complaint remains uncertain, legal counsel cannot express an opinion on the

extent, if any, of the Company's liability. However, based on information currently known to the Company's management, the Company does not expect this complaint will have a material adverse effect on its financial condition, results of operations or cash flows.

Colstrip Royalty Claim

Western Energy Company (WECO) supplies coal to the owners of Units 3 & 4 of Colstrip under a Coal Supply Agreement and a Transportation Agreement. The Minerals Management Service (MMS) of the United States Department of the Interior has issued orders, going back to 1991, to WECO to pay additional royalties concerning coal delivered to Units 3 & 4 of Colstrip via the conveyor belt. The owners of Units 3 & 4 of Colstrip take delivery of the coal at the beginning of the conveyor belt.

The orders assert that additional royalties are owed to MMS as a result of WECO not paying royalties in connection with revenue received by WECO from the owners of Units 3 & 4 of Colstrip under the Transportation Agreement during the period October 1, 1991 through December 31, 2007.

The state of Montana also filed claims assessing additional coal production taxes on Coal Transportation Agreement revenues collected by WECO from the owners of Units 3 & 4 of Colstrip. Settlement of production tax claims has recently occurred between WECO and the Montana Department of Revenue.

WECO and the owners of Units 3 & 4 of Colstrip have agreed to a cost sharing agreement for the payment of the settlements owed to the Montana Department of Revenue for coal production taxes and for the MMS royalty claims as they are determined through litigation or settlement. Avista Corp. estimates that its share of the royalties, taxes and interest alleged would be $2.1 million including payment for the calendar year 2008.

Based on information currently known to the Company's management, the Company does not expect that this issue will have a material adverse effect on its financial condition, results of operations or cash flows. The Company expects to recover, through the ratemaking process, any amounts paid and included in fuel costs through the ERM and PCA mechanism.

Harbor Oil Inc. Site

Avista Corp. used Harbor Oil Inc. (Harbor Oil) for the recycling of waste oil and non-PCB transformer oil in the late 1980s and early 1990s. In June 2005, the Environmental Protection Agency (EPA) Region 10 provided notification to Avista Corp. and several other parties, as customers of Harbor Oil, that the EPA had determined that hazardous substances were released at the Harbor Oil site in Portland, Oregon and that Avista Corp. and several other parties may be liable for investigation and cleanup of the site under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly referred to as the federal "Superfund" law, which provides for joint and several liability. The initial indication from the EPA is that the site may be contaminated with PCBs, petroleum hydrocarbons, chlorinated solvents and heavy metals. Six potentially responsible parties, including Avista Corp., signed an Administrative Order on Consent with the EPA on May 31, 2007 to conduct a remedial investigation and feasibility study (RI/FS). The total cost of the RI/FS is estimated to be $1.2 million and will take approximately 2 1/2 years to complete. The actual cleanup, if any, will not occur until the RI/FS is complete. Based on the review of its records related to Harbor Oil, the Company does not believe it is a major contributor to this potential environmental contamination based on the de minimus volume of waste oil it delivered to the Harbor Oil site. However, there is currently not enough information to allow the Company to assess the probability or amount of a liability, if any, being incurred. As such, it is not possible to make an estimate of any liability at this time.

Lake Coeur d'Alene

In July 1998, the United States District Court for the District of Idaho issued its finding that the Couer d' Alene Tribe (the Tribe) owns, among other things, portions of the bed and banks of Lake Coeur d'Alene (Lake) lying within the current boundaries of the Tribe's reservation lands. The United States District Court decision was affirmed by the United States Court of Appeals for the Ninth Circuit and the United States Supreme Court in June 2001. This ownership decision resulted in, among other things, Avista Corp. being liable to the Tribe for water storage on the Tribe's land and for Section 10(e) payments.

The Company's Post Falls Hydroelectric Generating Station (Post Falls) controls the water level in the Lake for portions of the year (including portions of the lakebed owned by the Tribe).

In December 2008, Avista Corp., the Tribe and the United States Department of Interior (DOI) finalized an agreement regarding a range of issues related to Post Falls and the Lake. The agreement establishes the amount of

past and future compensation Avista Corp. will pay for the use of the Tribe's reservation lands under Section 10(e) of the Federal Power Act (Section 10(e) payments) and issues related to relicensing of the Company's hydroelectric generating facilities located on the Spokane River (see Spokane River Relicensing below).

Avista Corp. agreed to compensate the Tribe a total of $39 million ($25 million paid in 2008, $10 million to be paid in 2009 and $4 million to be paid in 2010) for trespass and Section 10(e) payments for past storage of water for the period from 1907 through 2007. Avista Corp. agreed to compensate the Tribe for future storage of water through Section 10(e) payments of $0.4 million per year beginning in 2008 and continuing through the first 20 years of a new license and $0.7 million per year through the remaining term of the license.

In addition to Section 10(e) payments, Avista Corp. agreed to make annual payments over the life of a new FERC license to fund a variety of protection, mitigation and enhancement measures on the Coeur d'Alene Reservation required under Section 4(e) of the Federal Power Act. These payments involve creation of a Coeur d'Alene resource protection trust fund (the Trust Fund). Annual payments from the Company to the Trust Fund for protection, mitigation and enhancement measurements would commence with the issuance of a new FERC license and are expected to total approximately $100 million over an assumed 50-year license term.

In September 2008, as part of the settlement of the Company's general rate case, the IPUC approved deferral of the Idaho jurisdictional allocation of amounts paid to the Tribe, the Trust Fund or related to the licensing of its hydroelectric generating facilities for later recovery through rates in a subsequent general rate filing. Avista Corp. included these items in its general rate case filed in Washington in January 2009. In December 2008, the WUTC approved a settlement of the Company's general rate case filing which provides similar treatment of the Washington jurisdictional allocation of amounts paid to the Tribe, the Trust Fund or related to the licensing of its hydroelectric generating facilities.

On January 27, 2009, the Public Counsel Section of the Washington Attorney General's Office (Public Counsel) filed a Petition for Judicial Review of the WUTC's recent order approving the settlement of the Company's general rate case. Public Counsel raised a number of issues that were previously argued before the WUTC. These include whether settlement costs associated with resolving the dispute with the Tribe were prudent and whether recovery of such costs would constitute illegal "retroactive ratemaking." The appeals process may take several months and a decision is not expected until later in 2009. The court will either affirm the decision of the WUTC in its entirety or reverse the decision, in whole or in part, and remand the matter back to the WUTC for further consideration, which could possibly result in de minimus refunds to customers and regulatory disallowance of the Washington portion of the $39 million that the Company has agreed to compensate the Tribe. The Company cannot predict the potential impact the outcome of this matter could ultimately have on the Company's results of operations, financial condition or cash flows.

Spokane River Relicensing

The Company owns and operates six hydroelectric plants on the Spokane River, and five of these (Long Lake, Nine Mile, Upper Falls, Monroe Street and Post Falls, which have a total present capability of 144.1 MW) are under one FERC license and are referred to as the Spokane River Project. The sixth, Little Falls, is operated under separate Congressional authority and is not licensed by the FERC. Since the FERC was unable to issue new license orders prior to the August 1, 2007 (and subsequent August 1, 2008) expiration of the current license, an annual license was issued for all five plants, in effect extending the current license and its conditions until August 1, 2009. The Company has no reason to believe that Spokane River Project operations will be interrupted in any manner relative to the timing of the FERC's actions.

The Company filed a Notice of Intent to Relicense in July 2002. The formal consultation process involving planning and information gathering with stakeholder groups lasted through July 2005, when the Company filed its new license applications with the FERC. The Company initially requested the FERC to consider a license for Post Falls, which has a present capability of 18 MW, separately from the other four hydroelectric plants due to the complexity of issues related to the Post Falls development. In the license applications, the Company proposed a number of measures intended to address the impact of the Spokane River Project and enhance resources associated with the Spokane River. FERC licenses are granted for terms of 30 to 50 years.

Since the Company's July 2005 filing of applications to relicense the Spokane River Project, the FERC has continued various stages of processing the applications. In May 2006, the FERC issued a notice requesting other parties to provide terms and conditions regarding the two license applications. In response to that notice, a number of parties including the Tribe, Idaho and Washington state agencies, and the United States DOI filed either

recommended terms and conditions, pursuant to Sections 10(a) and 10(j) of the Federal Power Act (FPA), or mandatory conditions related to the Post Falls application, pursuant to Section 4(e) of the FPA. In January 2007, the FERC issued a draft Environmental Impact Statement (EIS). After review of comments, the FERC issued a final EIS in July 2007. This was the last administrative step for the FERC before the issuance of license orders; however, the FERC was unable to move forward prior to Federal Clean Water Act 401 Water Quality Certifications (Certifications) being issued by the states of Idaho and Washington.

The states of Idaho and Washington issued Certifications for the Project on June 5, 2008 and June 10, 2008, respectively. The Idaho Certification was based on a Settlement Agreement between Avista Corp., the Idaho Department of Environmental Quality and the Idaho Department of Fish and Game, and is final. The Washington Certification, which was issued by the Washington Department of Ecology (Ecology), however, was appealed by Avista Corp., Inland Empire Paper and the Sierra Club/Center for Environmental Law and Policy. All issues, with the exception of one appealed by the Sierra Club/Center for Environmental Law and Policy (aesthetic spills at the Upper Falls plant) were resolved through a four-party Settlement Agreement. Avista Corp. is actively continuing negotiations on the remaining issue. A hearing is scheduled before the Washington Pollution Control Hearing Board in August 2009 to address the remaining issue under appeal.

On December 16, 2008 Avista Corp., the United States DOI, and the Tribe reached agreement resolving FPA Section 4(e) conditions, as well as the payment of annual charges under Section 10(e) of the FPA regarding Post Falls, which stores water on a portion of the Coeur d'Alene Indian Reservation. The three parties submitted a request to the FERC on January 29, 2009 to incorporate the agreed-upon terms and conditions in a new single 50-year license for all five Spokane River hydroelectric plants.

The United States Department of Fish and Wildlife concurred, via a letter to the FERC on July 31, 2008, that the Spokane River Project is not likely to adversely affect any listed or threatened endangered species.

Avista Corp. can not determine exactly when the FERC will complete action on the applications. Once granted, a new license will describe the final conditions Avista Corp. will be responsible for implementing, and the term for a new license.

The Company's estimate of the potential cost of the conditions proposed for the Spokane River Project, based on estimates of what it would cost to implement the recommendations and conditions included in the FERC's FEIS and the numerous settlement agreements, total approximately $305 million over a 50-year period.

In addition, the December 16, 2008 Settlement Agreement between the Company and the Tribe resolved FPA Section 10(e), or water storage payments related to the Post Falls hydroelectric facility. Under the Agreement, Avista Corp. will pay the Tribe $0.4 million annually for the first 20 years of a new FERC license and $0.7 million annually for the remainder of the license term for Section 10(e) charges.

The WUTC approved, for future recovery, costs incurred in relicensing the Spokane River Project, as well as the costs related to settlement with the Tribe. The WUTC approved deferred accounting treatment, with a carrying cost, until these costs are reflected in future retail rates. The IPUC approved similar deferred accounting treatment. Our general rate cases, filed in January 2009, reflect recovery of both the direct and deferred costs. The Company will continue to seek recovery, through the ratemaking process, of all operating and capitalized costs related to the relicensing of the Spokane River Project.

Clark Fork Settlement Agreement

Dissolved atmospheric gas levels exceed state of 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. 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 developed the Gas Supersaturation Control Program (GSCP). The Idaho Department of Environmental Quality and the United States Fish and Wildlife Service (USFWS) approved the GSCP in February 2004 and the FERC issued an order approving the GSCP in January 2005.

The GSCP provides for the opening and modification of one and, potentially, both of the two existing diversion tunnels built when Cabinet Gorge was originally constructed. When river flows exceed the capacity of the powerhouse turbines, the excess flows would be diverted to the tunnels rather than released over the spillway. The Company has undertaken physical and computer modeling studies to confirm the feasibility and likely effectiveness

of the tunnel solution. Analysis of the predicted total dissolved gas performance indicates that the tunnels will not meet the performance criteria anticipated in the GSCP. In August 2007, the Gas Supersaturation Subcommittee concluded that the tunnel project does not meet the expectations of the GSCP and is not an acceptable project. As a result, the Company has met and will continue meeting with key stakeholders to review and amend the GSCP which includes developing alternatives to the construction of the tunnels. The Company has expended $5.1 million on the tunnel project. The WUTC and IPUC have accepted the recovery of these costs through rates.

The USFWS has listed bull trout as threatened under the Endangered Species Act. The Clark Fork Settlement Agreement describes programs intended to restore bull trout populations in the project area. Using the concept of adaptive management and working closely with the USFWS, the Company is evaluating the feasibility of fish passage at Cabinet Gorge and Noxon Rapids. 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 bull trout population enhancement measures.

Air Quality

The Company must be in compliance with requirements under the Clean Air Act and Clean Air Act Amendments for its thermal generating plants. The Company continues to monitor legislative developments at both the state and national level for the potential of further restrictions on sulfur dioxide, nitrogen oxide and carbon dioxide, as well as other greenhouse gas and mercury emissions.

In 2006, the Montana Department of Environmental Quality (Montana DEQ) adopted final rules for the control of mercury emissions from coal-fired plants. The new rules set strict mercury emission limits by 2010, and put in place a recurring ten-year review process to ensure facilities are keeping pace with advancing technology in mercury emission control. The rules also provide for temporary alternate emission limits provided certain provisions are met, and they allocate mercury emission credits in a manner that rewards the cleanest facilities.

Compliance with new and proposed requirements and possible additional legislation or regulations will result in increases to capital expenditures and operating expenses for expanded emission controls at the Company's thermal generating facilities. The Company, along with the other owners of Colstrip, completed the first phase of testing on two mercury control technologies. The joint owners of Colstrip believe based upon preliminary results that we will be able to comply with the Montana law without utilizing the temporary alternate emission limit provision. Preliminary estimates indicate that the Company's share of installation capital costs will be $1.5 million and annual operating costs will increase by $2.9 million (beginning in late-2009). The Company will continue to seek recovery, through the ratemaking process, of the costs to comply with various air quality requirements.

Residential Exchange Program

The residential exchange program is intended to provide access to the benefits of low-cost federal hydroelectricity to residential and small-farm customers of the region's private (investor owned) and public (governmental or customer owned) utilities. The Bonneville Power Administration (BPA) administers the residential exchange program under the Northwest Power Act. Previously, Avista Corp. and other private utilities in the Pacific Northwest executed settlement agreements with the BPA to resolve each party's rights and obligations under the residential exchange program. These settlements covered payment of benefits for the period October 1, 2001, through September 30, 2011. On May 3, 2007, the Ninth Circuit ruled that the BPA exceeded its authority when it entered into the settlement agreements with private utilities (including Avista Corp.) for the period from 2001 through 2011.

In February 2008, the BPA initiated its WP-07 Supplemental rate case (WP-07S) to, among other things, determine the level of benefits for customers served by private utilities (including Avista Corp.) for its fiscal year 2009. In addition to resolving residential exchange issues for the long-term, the BPA also proposed an interim payout to private utilities for its fiscal year 2008, which included $9.6 million for customers of Avista Corp. Rate adjustments to pass through the interim payment to Avista Corp.'s customers were approved by the WUTC and IPUC in April 2008. In September 2008, the BPA issued its final Record of Decision in WP-07S. Avista Corp. is evaluating the BPA's final Record of Decision, and may take steps to challenge the BPA's final Record of Decision. Avista Corp. has executed new Residential Exchange contracts with the BPA for customer benefits in 2009. Rate adjustments to pass through the payments in the amount of $2.4 million for the period November 1, 2008 through October 31, 2009 have been approved by the WUTC and IPUC.

Since the residential exchange settlement payments are passed through to Avista Corp.'s customers as adjustments to electric bills, there is no effect on Avista Corp.'s net income or cash flows.

Noxon Rapids Hydroelectric Facility

In late February 2009, a spill of mineral oil occurred at the Company's Noxon Rapids Hydroelectric Generating Project (Noxon Rapids) located near Noxon, Montana. Operators of Noxon Rapids discovered ice that had built up on the face of the dam fell off and broke a pressure gauge on the valve of a pipe carrying oil, causing the oil to spill onto the transformer deck. The deck contains storm water drains and just over 1,000 gallons of lightweight mineral oil was released from one of these drains into the stretch of the Clark Fork River between the Noxon Rapids and Cabinet Gorge hydroelectric projects (the Company owns and operates both projects). The Company completed cleanup immediately and further follow up in April 2009 pursuant to an Order issued by the EPA. The Company accrued $1.5 million related to the estimated cleanup costs during 2009. The Company's estimate of its liability could change in future periods and could include penalties. The Company cannot predict the potential impact the outcome of this matter could ultimately have on the Company's results of operations, financial condition or cash flows.

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 its financial condition, results of operations or cash flows. It is possible that a change could occur in the Company's estimates of the probability or amount of a liability being incurred. Such a change, should it occur, could be significant.

NOTE 12. POTENTIAL HOLDING COMPANY FORMATION

At the Annual Meeting of Shareholders in May 2006, the shareholders of Avista Corp. approved a proposal to proceed with a statutory share exchange, which would change the Company's organization to a holding company structure. The holding company, currently named AVA Formation Corp. (AVA), would become the parent of Avista Corp. After the contemplated dividend to AVA of the capital stock of Avista Capital (Avista Capital Dividend) now held by Avista Corp., AVA would then also be the parent of Avista Capital. The Avista Capital Dividend would effect the structural separation of Avista Corp.'s non-utility businesses from its regulated utility business.

Avista Corp. received approval from the FERC in April 2006 (conditioned on approval by the state regulatory agencies), the IPUC in June 2006 and the WUTC in February 2007. Avista Corp. also filed for approval from the utility regulators in Oregon and Montana and proceedings are pending in each of these jurisdictions. The statutory share exchange is subject to the receipt of the remaining regulatory approvals and the satisfaction of other conditions. The Company cannot predict when the remaining regulatory approvals will be obtained or if they will be on terms acceptable to the Company.

The IPUC accepted a stipulation entered into between Avista Corp. and the IPUC Staff that sets forth a variety of conditions, which would serve to segregate the Company's utility operations from the other businesses conducted by the holding company. The stipulation among other things would require Avista Corp. to maintain certain common equity levels as part of its capital structure. The calculation of the utility equity component is essentially the ratio of Avista Corp.'s total common equity to total capitalization excluding, in each case, Avista Corp.'s investment in Avista Capital. The utility equity component was approximately 44.7 percent as of March 31, 2009. In addition, IPUC approval would be required for any dividend from Avista Corp. to the holding company that would reduce utility common equity below 25 percent of total capitalization which, for this purpose, includes long and short-term debt, capitalized lease obligations and preferred and common equity.

The WUTC accepted a similar stipulation entered into between Avista Corp. and the WUTC staff. WUTC approval would be required for any dividend from Avista Corp. to the holding company that would reduce utility common equity below 30 percent of total capitalization.

Pursuant to the Plan of Share Exchange, a statutory share exchange would be effected whereby each outstanding share of Avista Corp. common stock would be exchanged for one share of AVA common stock, no par value, so that holders of Avista Corp. common stock would become holders of AVA common stock and Avista Corp. would become a subsidiary of AVA. The other outstanding securities of Avista Corp. would not be affected by the statutory share exchange, with limited exceptions for stock options and other securities outstanding under equity compensation and employee benefit plans.

EXHIBIT G

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Avista Corporation

For the Three Months Ended March 31
Dollars in thousands, except per share amounts
(Unaudited)

	2009	2008
Operating Revenues:		
Utility revenues	$460,864	$472,272
Non-utility energy marketing and trading revenues	5,997	6,416
Other non-utility revenues	20,609	17,619
Total operating revenues	487,470	496,307
Operating Expenses:		
Utility operating expenses:		
Resource costs	289,692	318,226
Other operating expenses	57,732	51,719
Depreciation and amortization	22,923	21,442
Taxes other than income taxes	26,895	25,085
Non-utility operating expenses:		
Resource costs	5,728	5,920
Other operating expenses	17,293	13,845
Depreciation and amortization	1,362	1,009
Total operating expenses	421,625	437,246
Income from operations	65,845	59,061
Other Income (Expense):		
Interest expense	(15,588)	(18,929)
Interest expense to affiliated trusts	(1,358)	(1,696)
Capitalized interest	548	841
Other income (expense) - net	(560)	1,176
Total other income (expense)-net	(16,958)	(18,608)
Income before income taxes	48,887	40,453
Income taxes	17,468	15,089
Net income	31,419	25,364
Less: Net income attributable to noncontrolling interests	(393)	(133)
Net income attributable to Avista Corporation	$ 31,026	$ 25,231
Weighted-average common shares outstanding (thousands), basic	54,616	53,020
Weighted-average common shares outstanding (thousands), diluted	54,722	53,382
Earnings per common share attributable to Avista Corporation:		
Basic	$ 0.57	$ 0.48
Diluted	$ 0.57	$ 0.47
Dividends paid per common share	$ 0.180	$ 0.165

The Accompanying Notes are an Integral Part of These Statements.

EXHIBIT H

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	04/16/2009	End of 2008/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. 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)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. 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.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. 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.
9. 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)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		219,765,445	166,534,217
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4				
5	Tax Benefit Received from 401k			(14,870)
6	Dividends received from Subsidiaries			48,260,105
7	Prior period adjustment for benefit plan restatement			(2,471,138)
8	Stock compensation dividend adjustment			15,913
9	TOTAL Credits to Retained Earnings (Acct. 439)			45,790,010
10				
11	Stock Options Exercised			
12	Preferred Series K Reclass			(1,334,004)
13	Debt Repurchase Adjustment			(4,392,647)
14	Subsidiary Federal Tax Credits (Avista Energy)		-796,180	
15	TOTAL Debits to Retained Earnings (Acct. 439)		-796,180	(5,726,651)
16	Balance Transferred from Income (Account 433 less Account 418.1)		69,496,682	43,070,834
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				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31			-37,070,823	(31,450,517)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-37,070,823	(31,450,517)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings		535,087	1,547,552
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		251,930,211	219,765,445

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Avista Corporation	(1) [X] An Original (2) [ ] A Resubmission	04/16/2009	End of 2008/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. 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)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. 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.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. 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.
9. 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)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39			1,548,121	1,548,121
40				
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)		1,548,121	1,548,121
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
	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	1,548,121
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		253,478,332	221,313,566
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)		-14,672,673	51,109,032
50	Equity in Earnings for Year (Credit) (Account 418.1)		4,123,038	(4,595,749)
51	(Less) Dividends Received (Debit)			48,260,105
52	Subsidiary Expense & Misc Subs Equity Comp		-14,939,262	(12,925,851)
53	Balance-End of Year (Total lines 49 thru 52)		-25,488,897	(14,672,673)

Exhibit J

Preliminary Journal Entry for the Disposition of Grants Pass Property in Oregon.

FERC ACCOUNT	DEBIT	CREDIT	COMMENT
121000-NONUTILITY PROPERTY	1,240.08		Transfer Grants Pass Land to Nonutility
101000-PLANT IN SERVICE OWNED		1,240.08	Transfer Grants Pass Land to Nonutility
121000-NONUTILITY PROPERTY	283,507.74		Transfer Grants Pass Structures to Nonutility
101000-PLANT IN SERVICE OWNED		283,507.74	Transfer Grants Pass Structures to Nonutility
108000-ACCUMULATED PROVISION DEPRECIATION	146,823.24		Transfer Grants Pass AD to Nonutility
122000-ACC DEPR NONUTILITY PROPERTY		146,823.24	Transfer Grants Pass AD to Nonutility
143500-OTHER ACCOUNTS RECEIVABLE MISC	350,000.00		Proceeds from sale of Grants Pass property
121000-NONUTILITY PROPERTY		1,240.08	Sale of Grants Pass land
121000-NONUTILITY PROPERTY		283,507.74	Sale of Grants Pass structures
122000-ACC DEPR NONUTILITY PROPERTY	146,823.24		Sale of Grants Pass structures
114000-PLANT ACQUISITION ADJUSTMENT		212,075.42	Gain on sale of Grants Pass property
	928,394.30	928,394.30	

Note: Depreciation calculated through 06/30/2009.

Net Book Value of Plant

Account 3901000 - General Plant Structures & Improvements

Vintage	Additions to Plant	AD	NBV
1948	2,465.00		
1970	2,654.45		
1977	185,186.43		
1980	2,344.48		
1987	791.70		
1988	1,028.55		
Original Cost of Plant from CP National	194,470.61	124,714.00	69,756.61
1995	1,811.78	650.97	1,160.81
1999	85,885.35	21,239.45	64,645.90
2002	1,340.00	218.82	1,121.18
Total including Additions	**283,507.74**	**146,823.24**	**136,684.50**

Account 389200 - Land

Vintage	389200	Land Selling	Land Keeping
1970	1,540.08	1,240.08	300.00

EXHIBIT I

REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS CONTRACT CONTROLS THE TERMS OF THE SALE OF REAL PROPERTY. THIS IS A LEGALLY BINDING CONTRACT. READ CAREFULLY BEFORE SIGNING.

Grants Pass, Oregon July 7, 2009

Received from INN BETWEEN, Inc., an Oregon Non-profit corporation, hereinafter called Buyer, an offer to purchase with Earnest Money, the following described real estate, which Buyer agrees to buy and AVISTA CORPORATION, formerly The Washington Water Power Company, (dba WP Natural Gas), a Washington corporation authorized to do business in the State of Oregon, herein "Seller", agrees to sell real estate located in the City of Grants Pass, County of Josephine, State of Oregon, and legally described as follows:

Seller's office building at 618 SE "J" Street and adjoining parking lot on "J" Street lying Westerly of the East wall line, in Section 17, Township 36 South, Range 5 West, W.M., tentatively to be known as Parcel 1 of the pending partition (copy attached). The exact legal description to be furnished prior to closing upon completion of Seller's partitioning of the property, now in process with the City of Grants Pass. Herein the "Premises".

Purchase Price. The total price is THREE HUNDRED FIFTY THOUSAND AND NO/100THS DOLLARS ($350,000.00) payable as follows:

$ 5,000.00 Earnest Money
$ 345,000.00 Cash at Closing, certified/cashier's check only.

1. Contingencies.

A) Buyer and Seller agree that title insurance is to be provided by Seller. Seller shall have ten (10) days in which to secure an Owner's Standard Coverage Preliminary Commitment for Title Insurance from Ticor Title Company, 744 NE 7th St., Grants Pass, Oregon. Buyer shall have ten (10) days from receipt of the commitment for title insurance in which to notify Seller of any matter, as disclosed by such report, which matter is unacceptable to Buyer. Unless Seller is able to cure or correct such matter to buyer's satisfaction within five (5) days prior to closing, then Buyer's obligation to close shall terminate and Buyer shall be entitled to a refund of any Earnest Money and this agreement shall thereupon be at an end, unless Buyer elects to waive such objection and proceed to close not later than the Closing Date.

B) Completion and approval of the Partition application now in process with the City of Grants Pass.

C) Approval of the sale by the Oregon Public Utility Commission.

2. Title. Seller states that it has good and marketable title to the Premises, and Buyer agrees to buy the Premises on the promise that Seller has good and marketable title. The following shall not be deemed encumbrances or defects: Rights reserved in federal patents or state deeds; building or use restrictions consistent with current zoning, other than government platting and subdivision requirements; utility easements; other easements not inconsistent with Buyer's intended use; and reserved oil and/or mineral rights. **Seller agrees to secure a release of the Premises from its general Trust Indenture**

within one (1) year of closing, which is acceptable to Buyer. Buyer is aware of the recent sewer easement granted to the City of Grants Pass to serve the Premises, the City property to the North, and Seller's remaining property to the East, affecting a strip approximately 20 feet in width along the rear of the Premises, and that construction is to begin sometime Summer of '09, which is acceptable to Buyer.

3. Closing Costs, Pro-Rations and Reservations. Closing shall take place at Ticor Title Company, 744 NE 7th St., Grants Pass, OR 97526, or at a location mutally acceptable to the parties hereto. The closing agent's costs shall be shared equally between Buyer and Seller. Taxes owing for the current year, shall be pro-rated as of closing/possession. Water and other utilities owing constituting liens shall remain the responsibility of Buyer. Seller shall pay costs to record the deed conveying title to Buyer. Seller to transfer title by Special Warranty Deed. Buyer is to continue making its monthy rent payments in timely fashion until closing, and shall be prorated for the month in which this transaction closes. **Seller is to reserve on the Deed as follows: "Grantor reserves an easement to construct, reconstuct, locate, relocate, operate, repair, maintain, and keep clear of trees, brush, foliage and structures, a natural gas pipeline or pipelines, and utilities, together with appurtenances thereto pertaining, on the Southerly 15 feet the Premises".**

4. Closing of the Sale. WITH THE UNDERSTANDING THAT TIME IS OF THE ESSENCE FOR THIS AGREEMENT, this sale shall be closed within thirty (30) days of final approval of the Partition application now in process with the City of Grants Pass, and approval by the Oregon Public Utility Commission. The closing shall take place at the closing office set forth in 3 above, or at a location mutually acceptable to both parties. Closing, for the purpose of this agreement, is defined as the date that all documents are recorded. Buyer is given the opportunity to have the documents reviewed by legal counsel, at Buyer's sole expense.

5. Possession. Buyer is currently in possession of the premises and paying rent on a month-to-month basis under the lease which technically has expired.

6. Seller Occupancy. Buyer understands that in order to offer the Premises up for sale to Buyer, Seller was required to commence a Partitioning process with the City of Grant Pass. The partitioning of the property also allows Seller to retain the "Easterly Parcel" (tentativley identified as Parcel 2 of the pending partition) which Seller will need to improve with office space, restroom facilities, sewer and water for its local representatives. Seller currently utilizes office space and use of the common facilities and parking on the Premises for its local representatives.

It is understood and agreed as part of the consideration of this sale, that Seller shall be entitled to the continued use and occupancy of the office space, common facilities and parking as is currently enjoyed for its local representatives, without charge, until such time as Seller's Easterly parcel is ready for occupancy. Seller anticipates completion of the improvements to its Easterly parcel to be completed prior to the end of this year or as soon thereafter as is reasonably possible. Seller agrees to maintain the office space on the Premises in a good and clean manner, and not allow damage, waste or debris to accumulate, and to leave the space(s) in as good a condition as currently exists, normal wear and tear excluded. Seller holds Buyer harmless from claims for injury or damage to persons or property during this time arising from its sole negligence.

7. Inspection. Buyer is now, and has been for many years prior hereto been, the occupant/tenant of the Premises from Seller. Buyer states it has had ample opportunity to view and inspect the Premises prior to closing and accepts same "as is with all faults". Seller herein holds Buyer harmless from any and all liability resulting from environmentally hazardous contamination of the

Premises as a result of Seller's use or ownership of the Premises. Buyer hereby accepts the Premises in "as is condition with all faults", and holds Seller harmless from and against any and all liability from contaminates introduced to the Premises by Buyer, their employees, guests, occupants, contactors, invitees or agents, in, on or around the Premises.

8. Agreement to Purchase. Buyer's decision to purchase is not based upon statements of fact by either Seller or Closing Agent concerning the Premises unless the facts have been either (1) included as contingencies for the purchase or (2) independently verified as true to the complete satisfaction of the Buyer. EXCEPT FOR CONDITIONS AND CONTINGENCIES SPECIFICALLY NOTED ELSEWHERE IN THIS AGREEMENT, BUYER ACCEPTS THE PREMISES, IN ITS PRESENT CONDITION, "AS IS WITH ALL FAULTS". Buyer hereby acknowledges receipt of copy of this agreement. Buyer offers to purchase the above Premises on the above terms and conditions.

9. Financing. This sale is not contigent upon Buyer securing financing. Buyer states it has prior hereto been pre-approved for a loan sufficient to purchase the Premises. The Premises is to be used as security for the loan.

10. Due Diligence. Buyer, as current and past tenant of the Premises, states it has already performed its due diligence, and finds the Premises suitable as meeting its requirements and for the purposes for which it is being purchased.

11. Acceptance. Buyer agrees to buy and Seller agrees to sell the Premises on the terms and conditions specified herein.

12. Forfeiture of Earnest Money. In the event Buyer fails to close this transaction through no fault of Seller, and all terms, contigencies and conditions of this Purchase and Sale Agreement having been met, then the Earnest Money shall be deemed forfeited by Buyer, and retained by Seller as liquidated damages.

13. Negotiation and Construction. This Agreement and each of the terms and provisions hereof are deemed to have been explicitly negotiated between the parties, and the language in all parts of this Agreement shall, in all cases, be construed according to its fair meaning and not strictly for or against either party.

14. Nonmerger. The provisions of this Agreement shall not be deemed merged in the deed, but shall survive the Closing and continue in full force and effect.

15. Waiver. Waiver by either party of any covenants, condition or provision of this Agreement shall not operate as or be considered to be a waiver by such party of any other covenant, condition or provision hereof, or of any subsequent breach of either party.

16. Entire Agreement. This Agreement, and any exhibits attached hereto, set forth the Entire Agreement between Seller and Buyer relating to the transaction contemplated hereby. No modification or amendment of this Agreement shall be valid unless the same is in writing and signed by each of the parties hereto.

17. Applicable Law. This Agreement is governed by and shall be construed in accordance with the laws of the State of Oregon.

18. Attorneys' Fees. In the event any suit or action is brought by either party under this Agreement to enforce any of its terms, it is agreed that any disputes be settled under the rules of the American Arbitration Association.

19. Real Estate Commissions. Seller herein was not represented by any Real Estate Agency, Broker, consultant or firm. Any fees or commissions due or owing to any Real Estate Agent, Broker, consultant or firm representing Buyer shall be Buyer's sole responsibility.

20. Succession. This Agreement shall be binding and inure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns.

This agreement may be executed in duplicate or multiple counterparts.

Dated _____, 200__.

BUYER:

The Inn Between, Inc.

By: _____

Its: _____

618 SE "J" Street

Grants Pass, OR 97526

Phone: 1-541-476-3469

SELLER:

Avista Corporation

By: _____

Its: _____

Attn: Real Estate Dept., MSC-25

1411 E. Mission Ave., P.O. Box 3727

Spokane, WA 99220-3727

Phone: 1-(509)-495-4845

Q:/surplus ppty3/InnBetweenSaleAgmt2.doc

EXHIBIT J

Exhibit J

Preliminary Journal Entry for the Disposition of Grants Pass Property in Oregon.

FERC ACCOUNT	DEBIT	CREDIT	COMMENT
121000-NONUTILITY PROPERTY	1,240.08		Transfer Grants Pass Land to Nonutility
101000-PLANT IN SERVICE OWNED		1,240.08	Transfer Grants Pass Land to Nonutility
121000-NONUTILITY PROPERTY	283,507.74		Transfer Grants Pass Structures to Nonutility
101000-PLANT IN SERVICE OWNED		283,507.74	Transfer Grants Pass Structures to Nonutility
108000-ACCUMULATED PROVISION DEPRECIATION	146,823.24		Transfer Grants Pass AD to Nonutility
122000-ACC DEPR NONUTILITY PROPERTY		146,823.24	Transfer Grants Pass AD to Nonutility
143500-OTHER ACCOUNTS RECEIVABLE MISC	350,000.00		Proceeds from sale of Grants Pass property
121000-NONUTILITY PROPERTY		1,240.08	Sale of Grants Pass land
121000-NONUTILITY PROPERTY		283,507.74	Sale of Grants Pass structures
122000-ACC DEPR NONUTILITY PROPERTY	146,823.24		Sale of Grants Pass structures
114000-PLANT ACQUISITION ADJUSTMENT		212,075.42	Gain on sale of Grants Pass property
	928,394.30	928,394.30	

Note: Depreciation calculated through 06/30/2009.

Net Book Value of Plant

Account 3901000 - General Plant Structures & Improvements

Vintage	Additions to Plant	AD	NBV
1948	2,465.00		
1970	2,654.45		
1977	185,186.43		
1980	2,344.48		
1987	791.70		
1988	1,028.55		
Original Cost of Plant from CP National	194,470.61	124,714.00	69,756.61
1995	1,811.78	650.97	1,160.81
1999	85,885.35	21,239.45	64,645.90
2002	1,340.00	218.82	1,121.18
Total including Additions	**283,507.74**	**146,823.24**	**136,684.50**

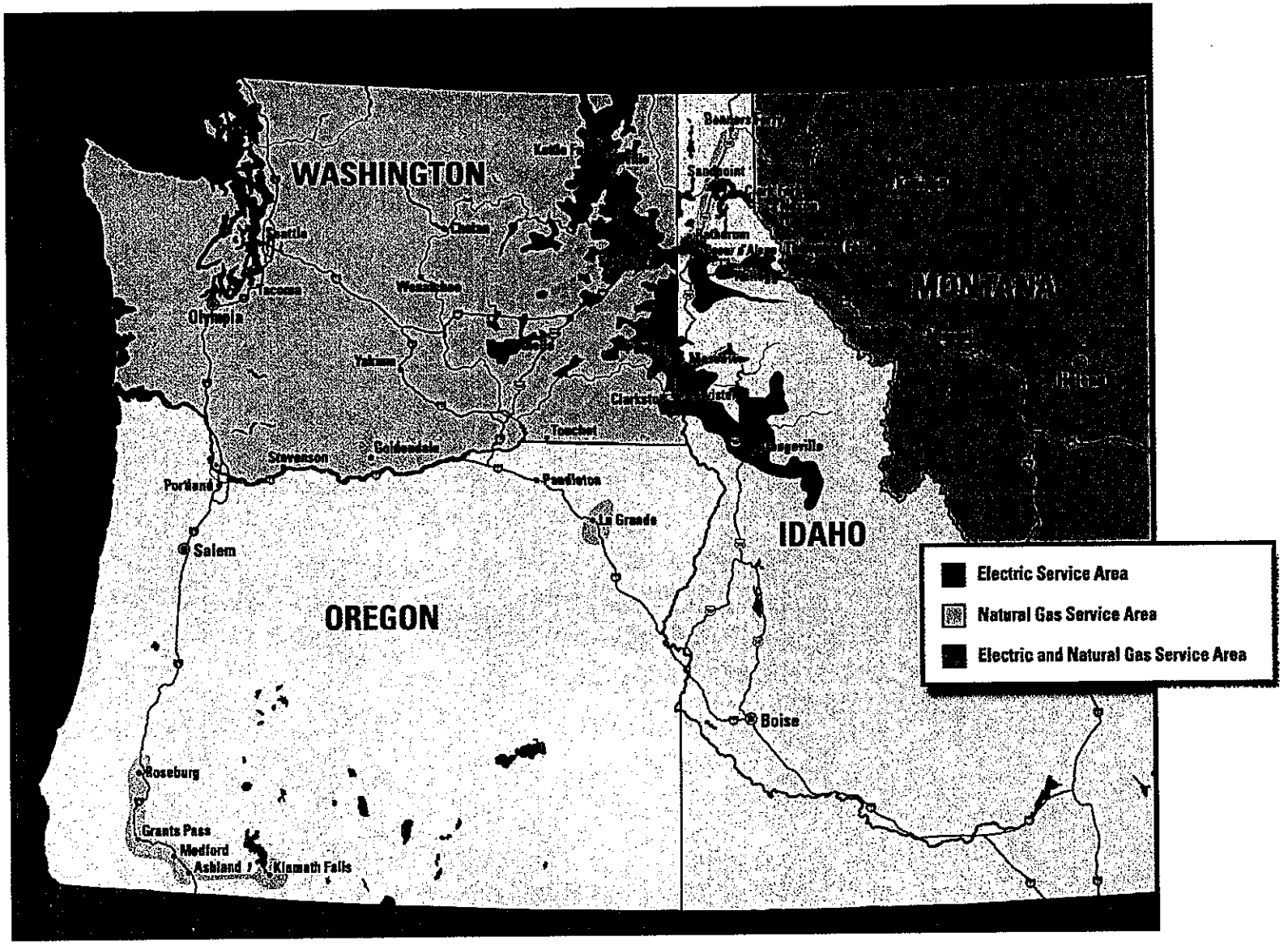
Account 389200 - Land

Vintage	389200	Land Selling	Land Keeping
1970	1,540.08	1,240.08	300.00

EXHIBIT K
(NOT APPLICABLE TO THIS APPLICATION)

EXHIBIT L

Avista's Electric and Natural Gas Service Areas



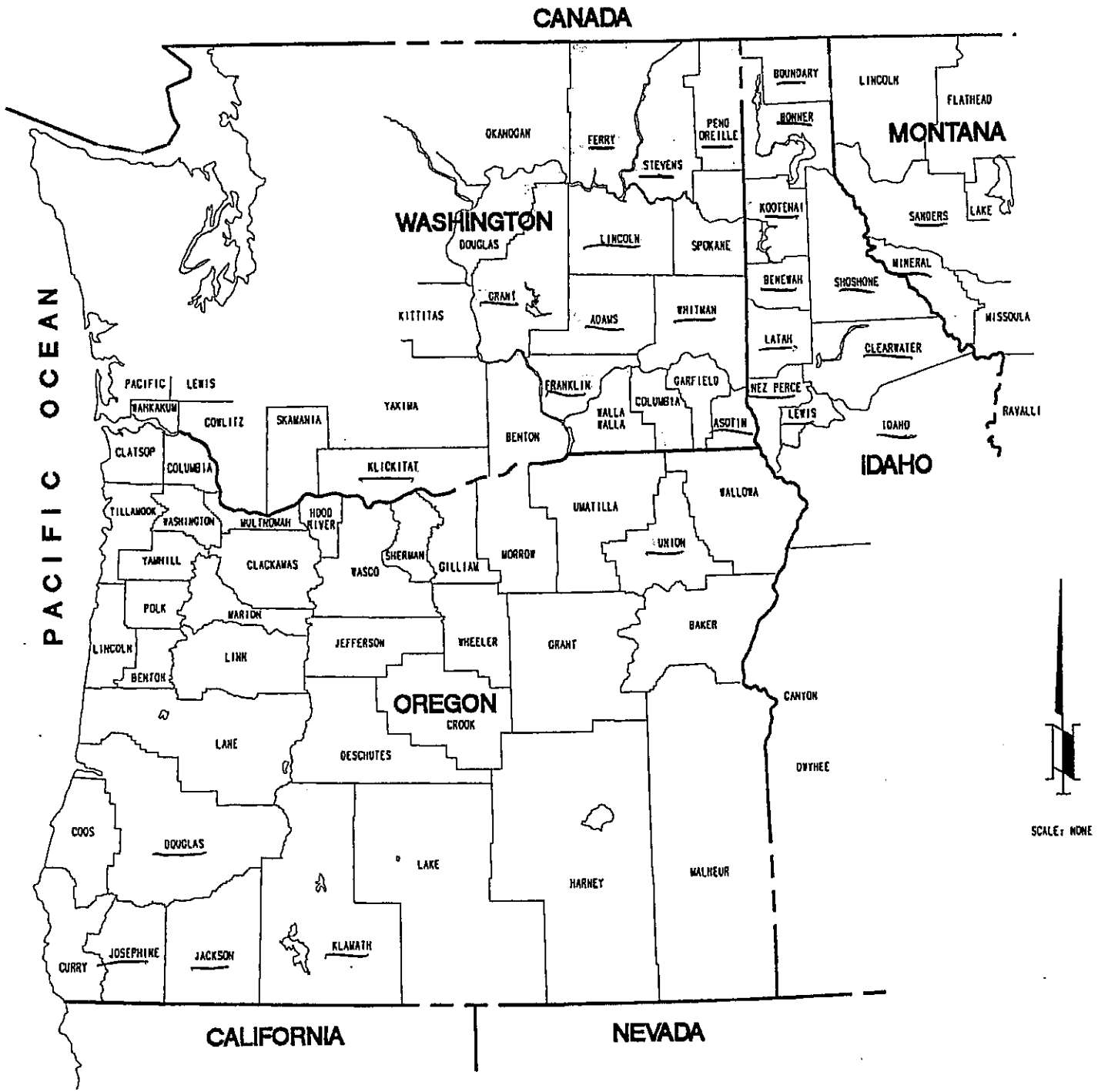

CANADA
PACIFIC OCEAN
WASHINGTON
OREGON
CALIFORNIA
NEVADA
IDAHO
MONTANA
OKANOGAN
FERRY
STEVENS
PEND OREILLE
BOUNDARY
LINCOLN
FLATHEAD
BONNER
KOOTENAI
SANDERS
LAKE
MINERAL
SHOSHONE
BENEWAH
LATAH
CLEARWATER
NEZ PERCE
LEWIS
IDAHO
MISSOULA
RAVALLI
DOUGLAS
GRANT
KITTITAS
ADAMS
WHITMAN
LINCOLN
SPOKANE
FRANKLIN
GARFIELD
COLUMBIA
WALLA WALLA
ASOTIN
BENTON
YAKIMA
PACIFIC
LEWIS
WAHKAKUM
COWLITZ
SKAMANIA
CLATSOP
COLUMBIA
KLICKITAT
TILLAMOOK
WASHINGTON
MULTNOMAH
HOOD RIVER
UMATILLA
WALLOWA
UNION
YAMHILL
CLACKAMAS
SHERMAN
WASCO
GILLIAM
MORROW
POLK
MARION
JEFFERSON
WHEELER
GRANT
BAKER
LINCOLN
LINN
BENTON
CROOK
CANYON
LAKE
DESCHUTES
OWYHEE
COOS
DOUGLAS
LAKE
HARNEY
MALHEUR
CURRY
JOSEPHINE
JACKSON
KLAMATH
SCALE: NONE

EXHIBIT M

ORDER NO. 91-671

ENTERED MAY 16 1991

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UA 39/UP 63

In the Matter of the Application of CP NATIONAL CORPORATION and THE WASHINGTON WATER POWER COMPANY for approval of the sale of natural gas utility assets and the transfer of allocated service territory.	))))))	ORDER

DISPOSITION: APPLICATION GRANTED

On January 7, 1991, CP National Corporation (CP National) and The Washington Water Power Company (Water Power) applied to the Public Utility Commission of Oregon for an order authorizing CP National to sell its Oregon natural gas utility assets to Water Power and to transfer its Oregon allocated natural gas service territory to Water Power.

The Commission held public comment hearings on this matter in La Grande, Klamath Falls, Medford, and Roseburg in February and March 1991. Representatives of PUC staff and the two companies appeared at these hearings to describe the application and to respond to questions. Members of the public were invited to make oral comments and were also permitted to file written comments following the public comment hearings.

On April 19, 1991, staff and Water Power filed a stipulation in this matter with the Commission. The stipulation addresses some specific issues and recommends that the Commission approve the application.

A hearing to receive evidence in this matter was held before Allen Scott, a Hearings Officer for the Commission, on April 24, 1991, in Salem, Oregon. The stipulation and supporting evidence were offered and admitted.

The appearances made at the hearing were as follows:

For PUC staff:

Philip Schradle
Assistant Attorney General
Salem, Oregon

For CP National Corporation:

Marvin Fjordbeck
Attorney at Law
Portland, Oregon

For Washington Water Power:

David Meyer
Attorney at Law
Spokane, Washington

For Northwest Industrial Gas Users:

Edward A. Finklea
Attorney at Law
Portland, Oregon

The Companies

CP National is currently authorized to provide public utility service to natural gas and telephone customers in Oregon, California, and Nevada. Through its subsidiary, Great Southwest Telephone Corporation, CP National operates telephone utilities in Arizona, New Mexico, Texas, and Utah. CP National and its subsidiaries also engage in nonutility businesses involving manufacturing and investing.

CP National's natural gas service area in Oregon includes all or portions of Baker, Douglas, Jackson, Josephine, Klamath, and Union counties. CP National will wholly discontinue natural gas service in Oregon upon the closing of the proposed sale and approval of the application.

Water Power has its principal business office in Spokane, Washington. It is an investor-owned electric and natural gas utility serving a 26,000 square mile area in Eastern Washington and Northern Idaho, with an estimated population base of 700,000. Water Power provides electric service to approximately 250,000 customers and natural

gas service to approximately 93,000 customers located within 37 different communities throughout its service area.

The Transaction

The application seeks approval from the Commission of the sale and transfer of CP National's Oregon natural gas operations to Water Power. The assets to be sold include all assets directly employed in the operation of CP National's natural gas distribution system in Oregon, California, and Nevada. Water Power intends to assume all obligations and duties of CP National in regard to leases, contracts, and other agreements that are incidental to the provision of natural gas service within CP National's allocated territory. The contracts and agreements to be assumed by Water Power include gas supply contracts, gas transportation contracts, end user supply agreements, end user transportation agreements, real estate leases, equipment leases, software license contracts and other miscellaneous contracts.

The agreed purchase price for CP National's complete gas distribution business serving customers in California, Oregon, and Nevada is $85 million, payable in cash in full on the closing date set forth in the Asset Purchase Agreement. The purchase price is subject to adjustment following the closing date.

CP National proposes to sell its natural gas system to continue its long-term business strategy of divesting energy operations and reallocating corporate resources to telephone operations, telephone-related services and non-regulated operations. This divestiture strategy includes concurrent divestiture of natural gas distribution systems in California and Nevada.

Water Power proposes to purchase CP National's Oregon natural gas distribution system because ownership of an expanded distribution system will enhance Water Power's ability to acquire competitively priced natural gas supplies and may enable Water Power to realize additional economies and efficiencies in the operation of its expanded distribution system.

The Issues

Application to Sell Utility Assets

ORS 757.480 requires a utility proposing to sell, lease, assign, or otherwise dispose of property necessary or useful to the performance of its duties to obtain approval from the Commission for the transaction. OAR 860-25-025 requires that utilities applying for such approval show that the transaction will be consistent with the public interest.

Application to Transfer Allocation Rights

ORS 758.460 requires Commission approval for assignment or transfer of territorial allocation. The statute conditions approval by the Commission on a finding that the assignment or transfer "is not contrary to the public interest."

The Stipulation

Staff and Water Power have submitted a stipulation. Staff and CP National provided testimony to support the stipulation.

The stipulation addresses the general issues set out above as well as several specific issues raised by staff during the pendency of the hearing or raised as a result of the public comment hearings held in this matter.

The Commission has examined the stipulation, the supporting testimony, and the material filed in connection with the application. It is the Commission's conclusion that the stipulation should be adopted in its entirety.

Public Comment

Approximately 100 members of the public attended the four public comment hearings held throughout the relevant service area. Most of those attending sought information about the proposed transfer of service. Very little opposition to the applications was expressed. Concerns about main extension policy and loss of gas service in the winter of 1990 were expressed. These matters were addressed by the parties and are examined later in this order.

Adequate and Safe Service

Washington Water Power is a long-time provider of natural gas and electric utility service in the Northwest. It has had a long-term commitment to adequate and efficient service. It has a demonstrated record of providing good service. It intends to retain personnel familiar with CP National's Oregon operations. All of these factors indicate that the service level provided to customers following the acquisition should be equal to or superior to that now provided.

Rates

When the transaction involved in this matter is completed, Water Power will immediately reduce rates for all customers by 1/2 of 1 percent. The company has also committed itself not to request an increase in revenue requirements for nongas costs to become effective before December 31, 1995, except in the event of extraordinary

circumstances. There will therefore be no increase in rates, except for possible changes in gas costs or other extraordinary costs, for at least four and one half years following the acquisition by Water Power of the business.

This commitment provides a sound basis for concluding that ratepayers will probably be better off following the acquisition. We also note that CP National had planned to file for a general rate increase for Oregon prior to its decision to sell the business. That fact increases the likelihood that the acquisition will provide short-term rate benefits to the ratepayers.

Other factors are important in determining the likelihood of a long-term rate benefit. Water Power has agreed to pass through to its Oregon customers unamortized deferrals in various deferred accounts. Staff also performed an incremental cost/benefit analysis to estimate the cost-savings which might be realized by Water Power over the next ten years compared to the estimated costs under continued operation by CP National. The factors involved included nongas cost savings from various operating economies and efficiencies as well as minor cost savings. Staff concluded that the net present value of the cost savings expected to be realized is approximately $3.9 million. These savings should have a long-term impact on the rates that Oregon customers will pay and indicate that rates will be lower than they would otherwise have been. The evidence also indicates that Water Power may realize savings in the future related to purchased gas costs. After the present CP National gas supply contracts expire, the economies of scale and diversity of supplies may enable Water Power to supply gas to its Oregon service area at a relatively lower cost.

We also note that Water Power's gas service rates are well below those charged by other natural gas utilities in the Pacific Northwest. The factors that contribute to those lower rates, including low employee/customer ratios, high volume residential and commercial usage, and operational synergies associated with the fact that the company is a combination gas/electric utility, will help Water Power keep its rates relatively lower than CP National's would have been in the future.

The Commission concludes that future rates for Water Power's customers should be at least as low as they would have been under continued service by CP National.

Other Issues

Acquisition Adjustment

The cost to Water Power of acquiring CP National's operations in excess of the net book value of the properties is approximately $33 million. The portion of this acquisition adjustment allocated to Oregon gas operations is approximately $24 million. According to the stipulation, Water Power will be allowed to amortize the acquisition

adjustment "above-the-line" for accounting purposes. During the "rate cap" period, that is the four and one half year period during which the company has agreed to stabilize rates, staff will propose no rate reduction related to nongas costs unless Water Power's normalized earnings--including amortization and rate base treatment of the acquisition adjustment--exceed a reasonable return. Water Power will thus be able to recover the acquisition adjustment during the "rate cap" period if the company can achieve enough operating efficiencies.

This treatment varies from the Commission's typical policy, according to which acquisition adjustments have not been recognized for rate-making purposes. However, because the projected net cost savings described above will permit customers of Water Power in Oregon to pay lower rates over a ten-year period than if CP National had continued to serve the area, even after amortization of the $24 million acquisition adjustment allocated to Oregon, the Commission concludes that this treatment is reasonable.

Main Extension Policy

At the public comment hearings, members of the public suggested that a more aggressive main extension policy be adopted to provide expanded gas service in Southern and Northeastern Oregon.

To address this issue, the stipulation requires Water Power to file a study evaluating the main extension policy within 90 days after the Commission's order approving the sale and transfer is issued. The study will describe Water Power's proposal for a revised main extension or will indicate the reasons why the existing policy should be continued.

Gas Outages

At the public comment hearing in Medford, members of the public commented on the loss of gas service last winter in Southern Oregon.

According to the staff testimony, steps are already being taken to reduce the likelihood of a recurrence of this problem. The CP National transmission line south of Grants Pass is being uprated to hold more pressure pack for peak consumption hours. Also, another feeder main will be added to the Grants Pass distribution system. In addition, the Northwest Pipeline Corporation has applied to the Federal Energy

Regulatory Commission to build a new compressor station near Sutherlin, Oregon, as part of their overall system expansion. That step would improve pressure reliability in Grants Pass. Finally, to serve future load growth, CP National has reserved about 50 percent additional capacity to Grants Pass from the Northwest Pipeline expansion project.

The Commission concludes that the steps promise to reduce the likelihood of recurrence of the serious problem faced last year by some customers of CP National in Southern Oregon.

CONCLUSIONS

1. The Public Utility Commission of Oregon has jurisdiction over this application pursuant to Oregon Revised Statutes Chapter 756 and 757.

2. The sale of natural gas utility assets by CP National Corporation to The Washington Water Power Company is consistent with the public interest and should be granted.

3. Transfer of allocated service territory by CP National Corporation to The Washington Water Power Company is not contrary to the public interest and should be granted.

4. The stipulation reached by staff and Water Power, attached as Appendix "A," is approved in its entirety.

ORDER

The application of CP National Corporation and The Washington Water Power Company for approval of the sale of natural gas utility assets and the transfer of allocated service territory is granted.

Made, entered, and effective MAY 16 1991.

Myron B. Katz
Chairman

Ron Eachus
Commissioner

Joan H. Smith
Commissioner

A party may request rehearing or reconsideration of this order within 60 days from the date of service pursuant to ORS 756.561. A party may appeal this order pursuant to ORS 756.580.

nz/UA39.ord

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UP 63/UA 39

In the Matter of the application of CP NATIONAL CORPORATION and the WASHINGTON WATER POWER COMPANY for approval of the sale of natural gas utility assets and the transfer of allocated service territory.	))))))	STIPULATION

The Staff of the Public Utility Commission (Staff), appearing by and through Philip Schradle, Assistant Attorney General, of its attorneys, and Washington Water Power Company (Water Power), appearing by and through David Meyer, Attorney at Law, hereby stipulate as follows:

1. On January 7, 1991, CP National Corporation and Water Power filed a joint application for approval of the sale of natural gas utility assets and the transfer of allocated service territory (Sale and Transfer).

2. Water Power's cost of acquiring CP National's operations in excess of the net book value of the properties is approximately $33,000,000. The portion of this acquisition adjustment allocated to Oregon gas operations is approximately $24,090,000, or 73 percent of the total acquisition adjustment for all of CP National's system gas properties.

3. Water Power may account for the acquisition adjustment in Account 114, Gas Plant Acquisition Adjustments. Water Power may amortize this amount in equal charges over 20 years, or

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SALEM, OREGON 97310
Phone 378-4400

more rapidly in Water Power's discretion, to Account 406, Amortization of Gas Plant Acquisition Adjustments.

4. If Water Power sells all or any portion of the operating systems acquired from CP National, Water Power will apply any gain realized above the sum of the net book value and any acquisition adjustment assigned to such systems so as to proportionately reduce any remaining acquisition adjustment allocated among the jurisdictions.

5. Within 30 days of completing the Sale and Transfer, Water Power will reduce gas rates for its Oregon customers by one-half of one percent (.5%) on all gas service rate schedules. Furthermore, Water Power agrees not to request an increase in rates to cover an increased revenue requirement associated with non-gas costs for which rates would be effective on or before December 31, 1995 ("rate cap" period); provided, however, that nothing shall prevent Water Power from petitioning the Commission for rate relief to become effective prior to December 31, 1995, should extraordinary circumstances or events beyond Water Power's control warrant.

6. For its Semi-annual Adjusted Results of Operations Reports to the Commission, Water Power will show separately the amortization expense associated with the acquisition adjustment. During the "rate cap" period ending December 31, 1995, Staff will propose no rate reduction relating to non-gas costs unless Water Power's normalized earnings -- including amortization and rate base treatment of the acquisition

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Phone 378-4400

adjustment -- exceed a reasonable rate of return. This provision does not apply to ratemaking policies adopted by the Commission with respect to Ballot Measure 5 (property tax limitation). This provision shall terminate at the end of the "rate cap" period, unless Water Power applies for an extension which is subsequently approved by the Commission.

7. Within 90 days after the Commission's order approving the Sale and Transfer, Water Power will provide a study on main extension policy issues. This study will include an informal proposal for a revised main extension policy ~~or~~ or reasons why the existing policy should be continued. pf 4/18/91 pf for dm 4/18/91

8. Water Power and Staff recommend that the Commission issue an Order in this docket adopting this settlement Stipulation in its entirety and approving the Sale and Transfer. If the Commission does not accept the Stipulation in its entirety, either party may withdraw from the Stipulation.

DATED April 18, 1991.

Philip Schradle
Assistant Attorney General
Of Attorneys for PUC

DATED April 15, 1991.

David Meyer
Attorney for The Washington
Water Power Company

PS:gcp/0720G

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SALEM, OREGON 97310
Phone 378-4400

CERTIFICATE OF SERVICE

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by mailing a copy properly addressed with first class postage prepaid to all parties or attorneys of parties.

Dated at Salem, Oregon, this 19th day of April, 1991.

Philip Schradle
Assistant Attorney General
of Attorneys for Public Utility
Commission's Staff
100 Justice Building
Salem, Oregon 97310
Telephone: (503) 378-6986

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