

We answer to you.



Welcome Shareholders

2006 Annual Meeting



Gary G. Ely

***Chairman of the Board, President and
Chief Executive Officer***

We answer to you.



Avista Corp. Board of Directors

We answer to you.



Director



Heidi Stanley

We answer to you.



Director



Erik J. Anderson

We answer to you.



Director



Kristianne Blake

We answer to you.



Director



Roy Lewis Eiguren

We answer to you.



Director



Jack W. Gustavel

We answer to you.



Director



John F. Kelly

We answer to you.



Director



Jessie J. Knight, Jr.

We answer to you.



Director



Michael L. Noël

We answer to you.



Director



Lura J. Powell

We answer to you.



Director

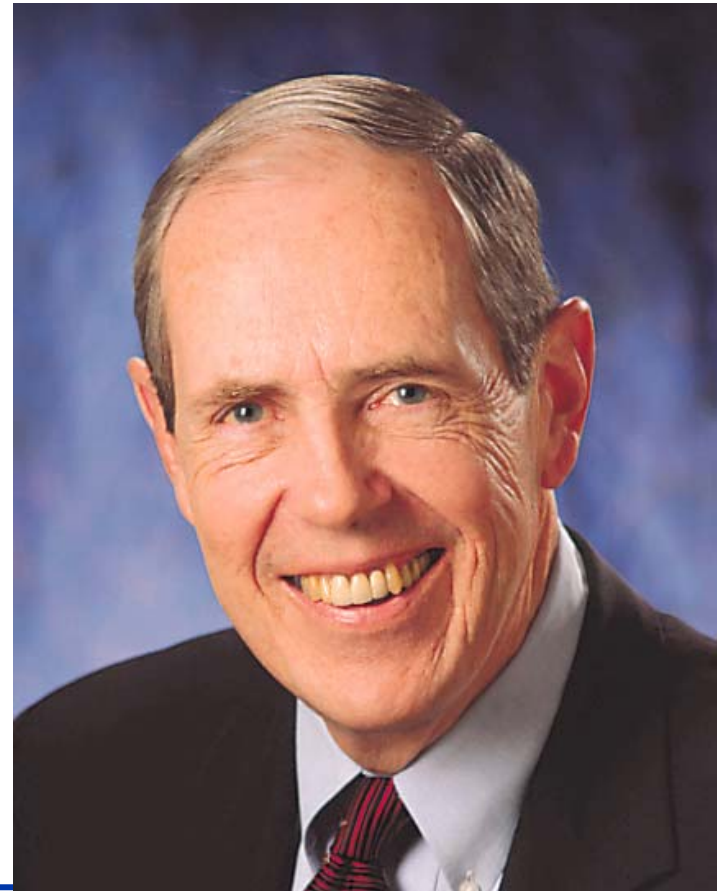


R. John Taylor

We answer to you.



Director



David A. Clack

We answer to you.

AVISTA[®]
Corp.

AVISTA[®]
Corp.

*Avista Corporate and
Subsidiary Officers*

We answer to you.

AVISTA
Corp.



Christy M. Burmeister-Smith



Marian Durkin



Karen S. Feltes



Don Koczynski



Malyn K. Malquist



David J. Meyer



Scott L. Morris



Kelly O. Norwood



Ronald R. Peterson



Stu Stiles



Dennis P. Vermillion



Ann Wilson



Roger D. Woodworth

We answer to you.



Business Meeting

Proposal 1

Election of Directors



Lura Powell



John Kelly



Heidi Stanley



John Taylor

Proposal 2

Approval of the formation of a holding company by means of a statutory share exchange whereby each outstanding share of Avista Corporation common stock would be exchanged for one share of AVA Formation Corp. common stock.

Proposal 3

Ratification of the appointment of the firm of Deloitte & Touche LLP as the independent registered public account firm of the Company for 2006.

We answer to you.

AVISTA
Corp.

AVISTA[®]
Corp.

2006 Annual Meeting



Malyn K. Malquist

*Sr. Vice President and
Chief Financial Officer*

“You have discussed for several years your desire to achieve investment-grade ratings for your debt. What is your strategy for reaching this goal, and when do you think you are likely to achieve it?”

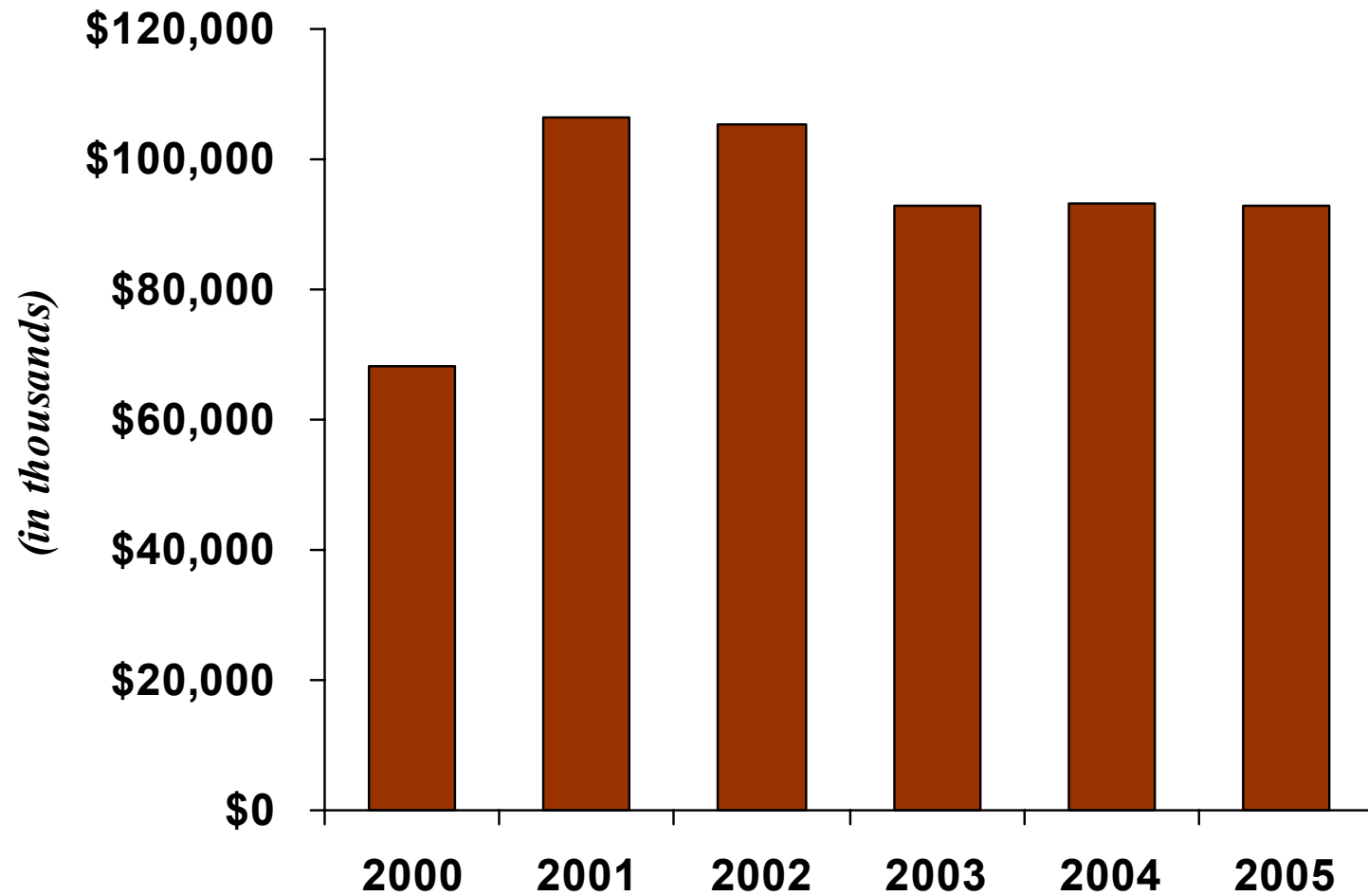
**Douglas A. Fischer, Vice President
Electric Utility Analyst
A.G. Edwards
St. Louis, Missouri**



Steps to Lower Interest Expense

- Repurchased \$319 million of high-cost debt
- Locked in favorable interest rates for debt maturing in 2007 and 2008
- Issued \$150 million of 30-year debt at cost of 6.25%
- Amended 5-year credit agreement, saving \$400,000 per year

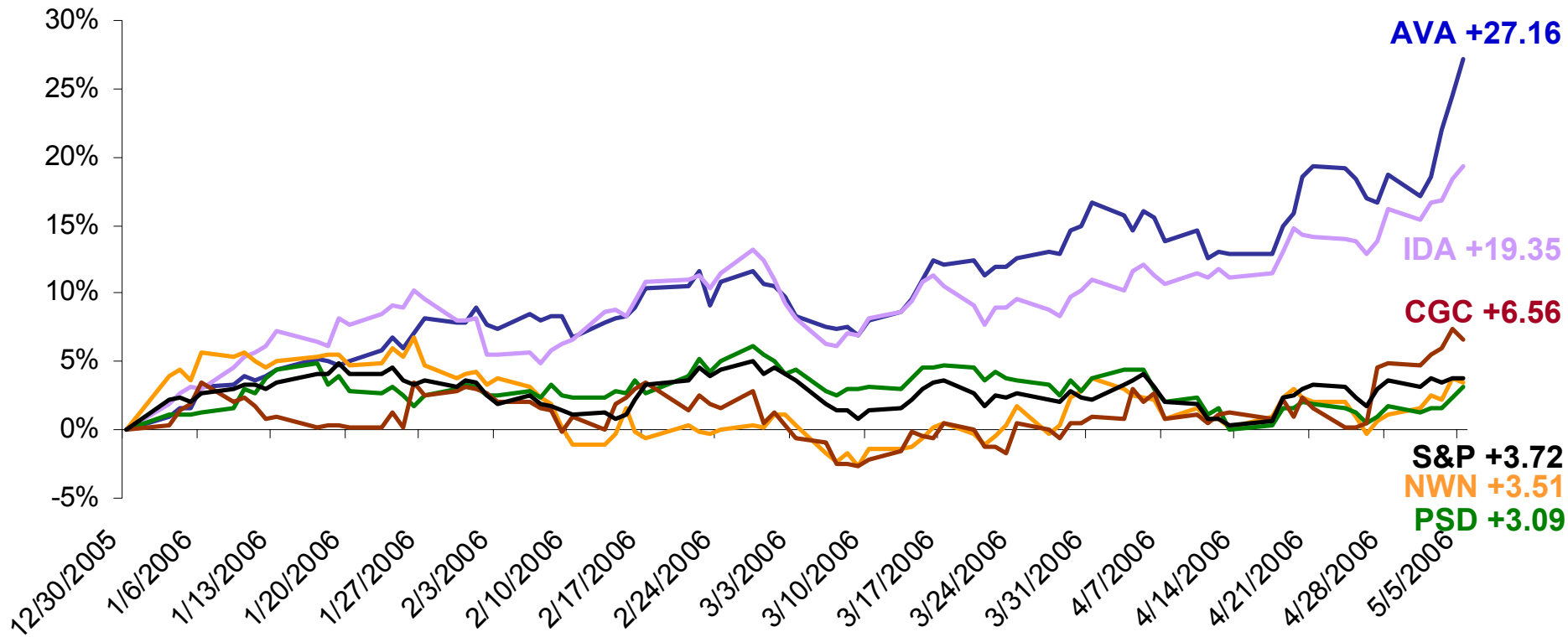
Interest Expense



Percent Change in Stock Price

Compared to Northwest Utilities and the S&P Midcap Utilities

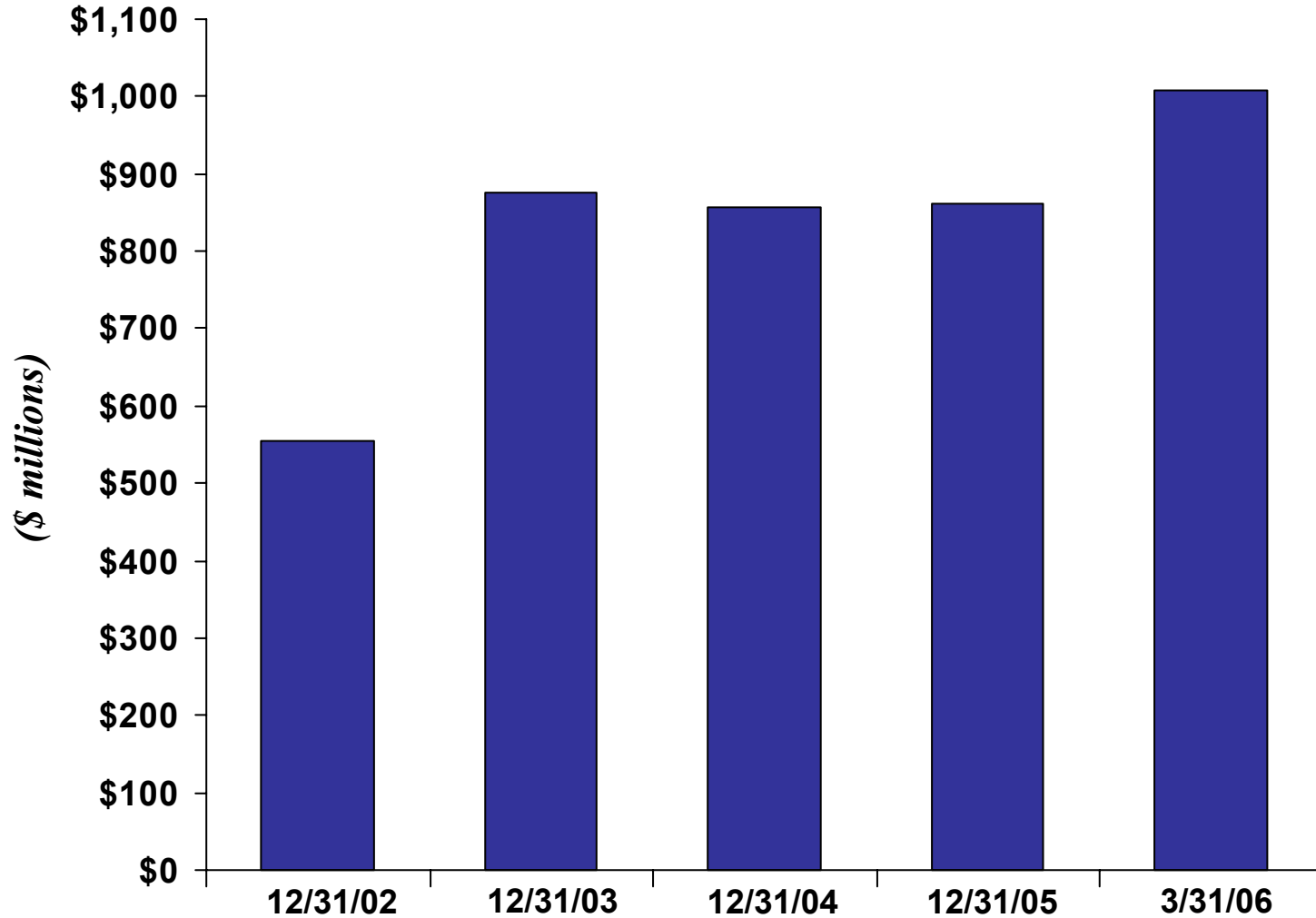
December 30, 2005 through May 5, 2006



Pending Regulatory Issues ~ Washington

- Energy Recovery Mechanism (ERM) continued and elimination of \$9 million deadband
- Natural Gas Decoupling – pilot program

Market Capitalization



2006 Earnings Guidance

Consolidated	\$1.30-\$1.45
Avista Utilities	\$1.00-\$1.15
Energy Marketing & Resource Management	\$0.20-\$0.30
Avista Advantage	\$0.10-\$0.12
Other	\$(0.05)

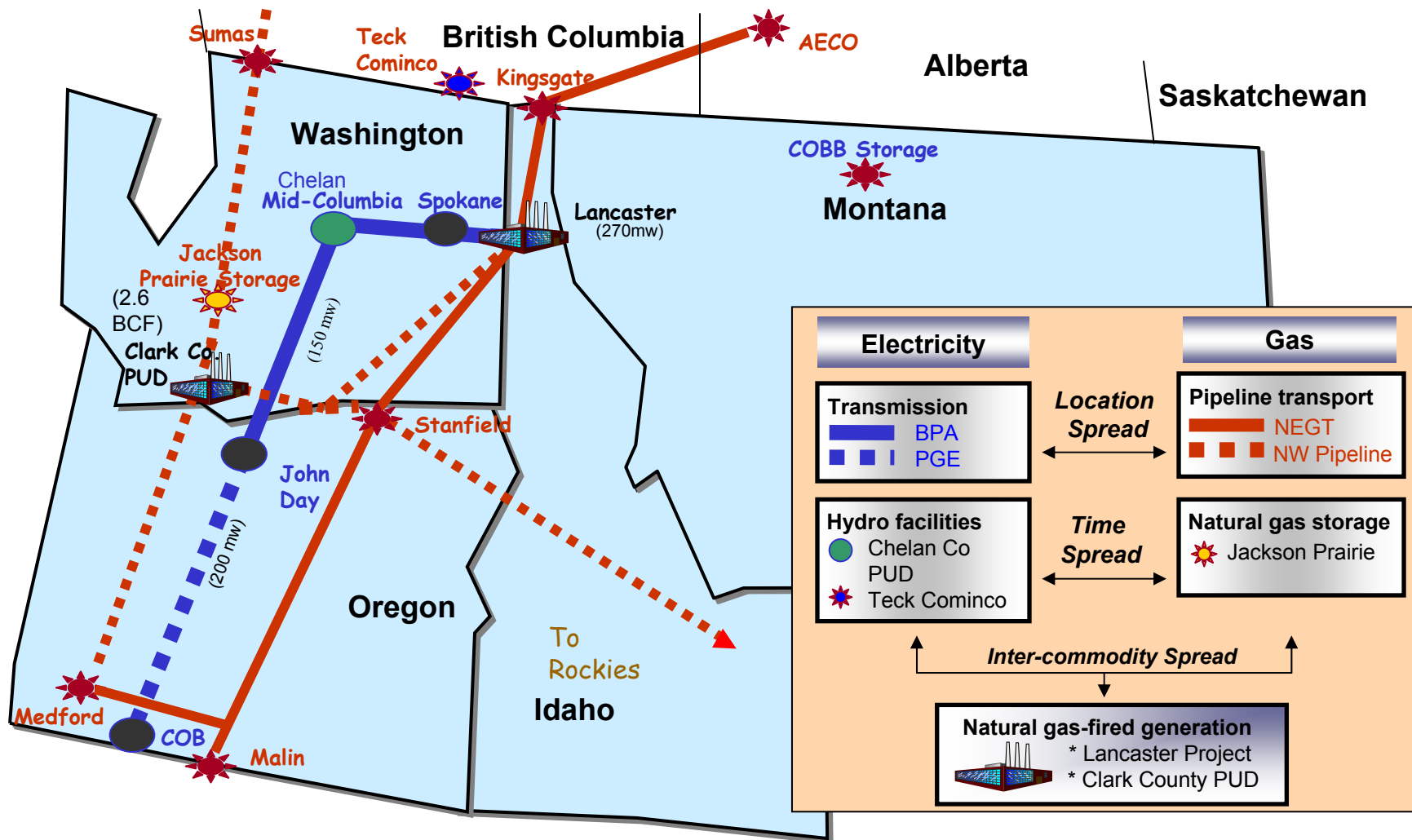
“Your primary purpose is to provide energy to your customers and make money doing it. How do you decide if a subsidiary is a good fit with that core business?”

Irene Ertell
Retail Shareholder
Falcon Cove, Oregon



Avista Energy

Firm Electric and Natural Gas Resources

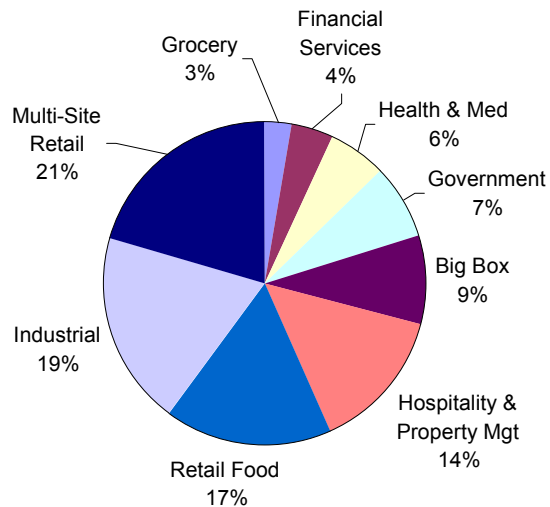


Avista Advantage

Client sampling:

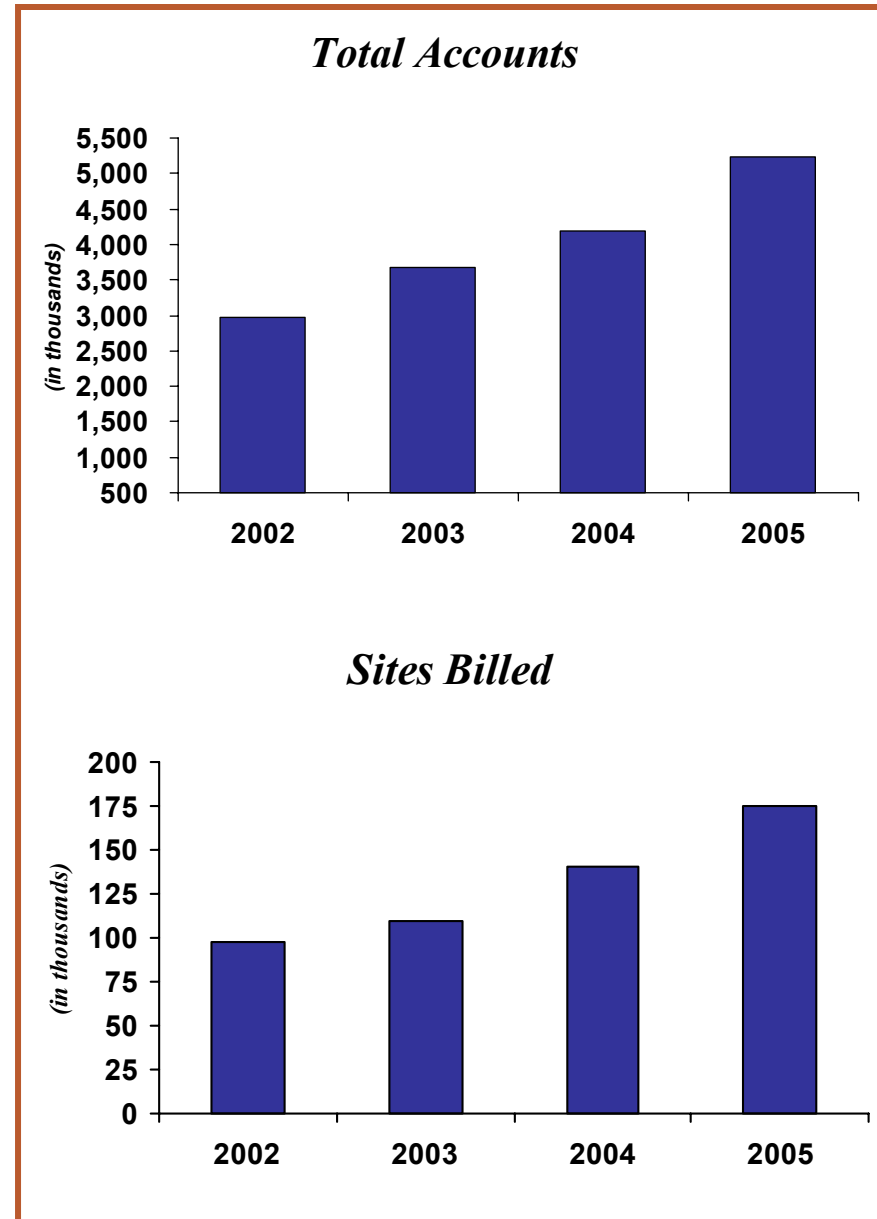
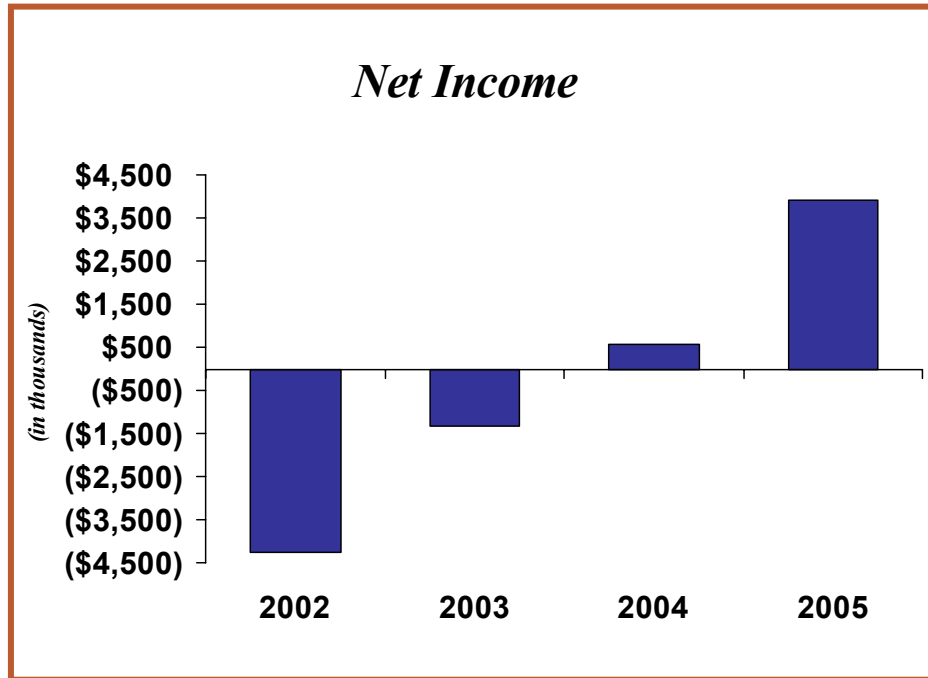


All Clients by Market Segment



Avista Advantage has penetration in virtually all market segments; industry penetration is approximately 18%.

Avista Advantage



The number of billed sites increased by approximately 23,000, or 14%, 12 months ended March 31, 2006.

We answer to you.

AVISTA[®]
Corp.

AVISTA[®]
Corp.

2006 Annual Meeting

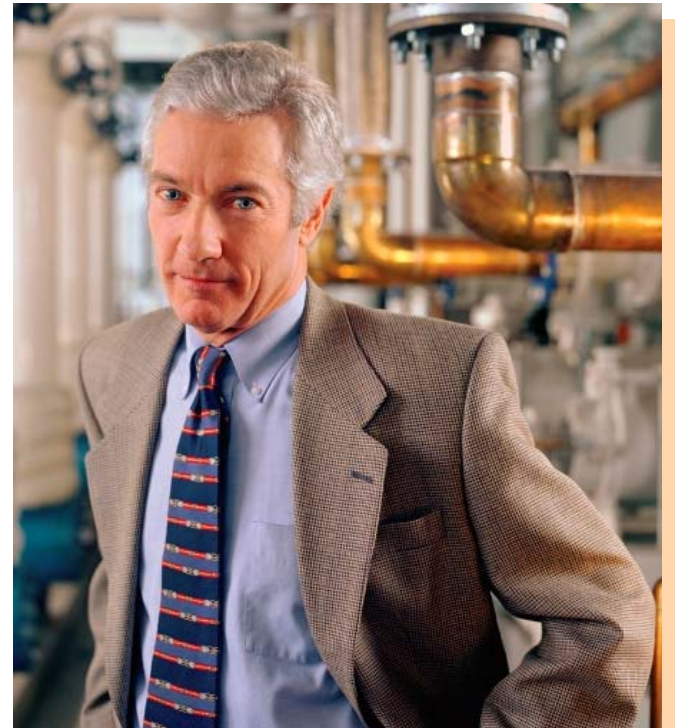


Scott L. Morris

*Sr. Vice President of Avista Corp. and
President of Avista Utilities*

“Are energy prices rising because of demand and dwindling traditional resources, and, if that’s the case, what is Avista doing to support conservation and alternative resources?”

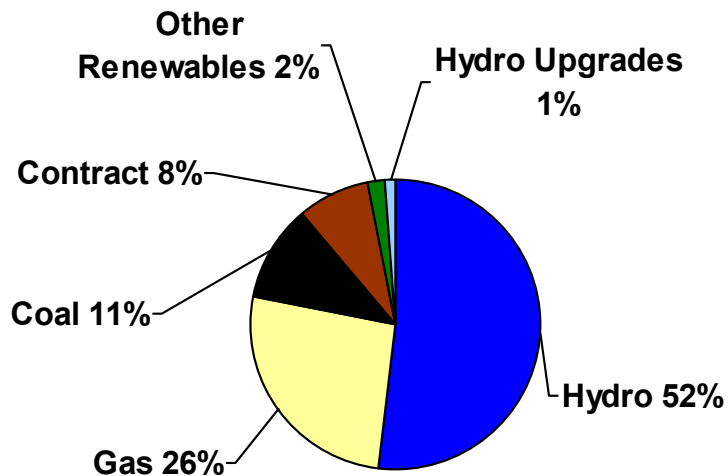
Philip Kercher
Manager of Facilities
Sacred Heart Medical Center
Spokane, Washington



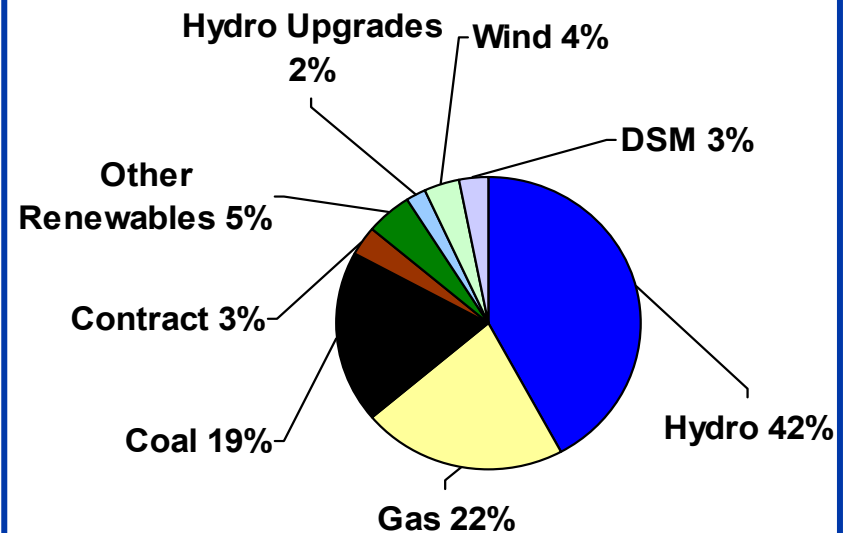
Integrated Resource Plan (IRP)

- Avista's 2005 IRP calls for acquisition of:
 - 400 MW of wind power,
 - 250 MW of coal-based generation,
 - 80 MW of other renewable resources,
 - 52 MW of generation plant upgrades and
 - 69 MW of conservation by 2016.

2006 Resource Mix



2016 Resource Mix



Transmission Upgrade Projects





Hydro Upgrades



Coyote Springs 2, Boardman, Oregon



We answer to you.

Avista Utilities Service Territory



Q *“The citizens of my district are people with modest incomes. What are you doing to keep energy affordable for them?”*

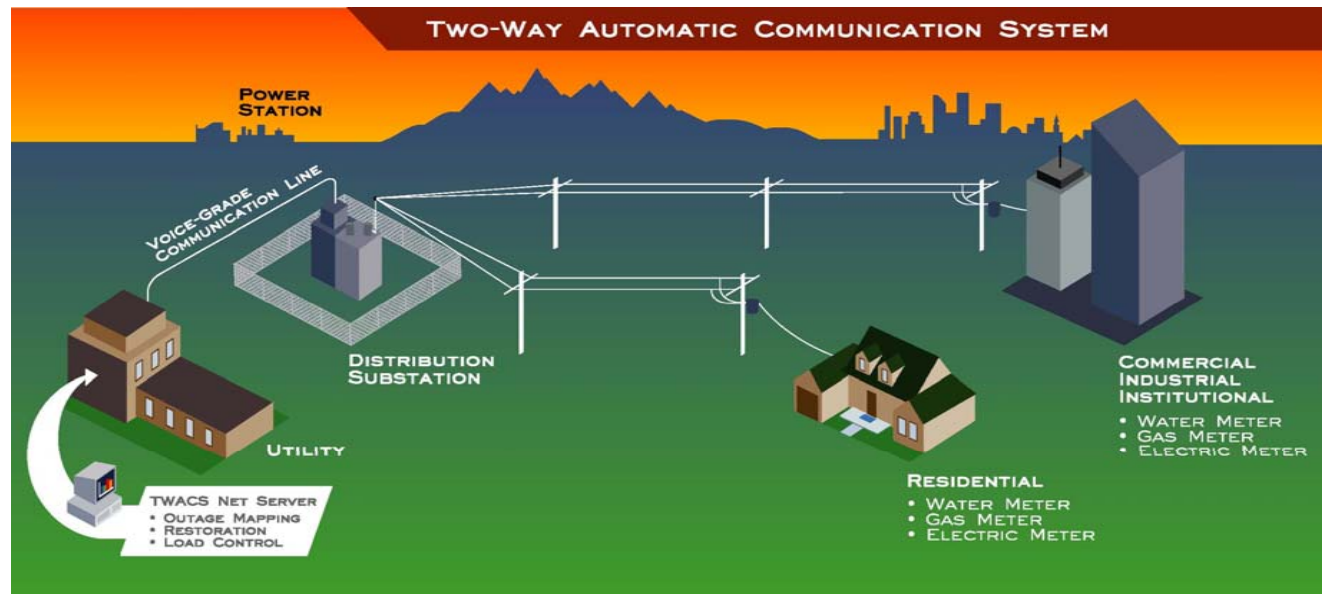
**Lisa Brown
Majority Leader
Washington State Senate
Olympia, Washington**



Advanced Meter Reading

Two-Way Automatic Communication System ("TWACS")

The first TWACS components have been installed at the Blue Creek substation. The transformer and communication equipment will be installed later in the year. This is the template for installations at other TWACS substations. Installations for 2006 will be in Clarkston, Coeur d'Alene, Lewiston and Sandpoint.



The TWACS acronym stands for "Two-Way Automatic Communication System." Communication to and from the meters occurs over the powerlines. When our system is deployed we will have the ability to perform an "on-demand" read that will return the reading on the customer's meter within 1 minute. The readings will come back to headquarters over a satellite link to the substation. We will deploy this technology at 20 substations.

Mobile Dispatch

Process improvements unlocks expense savings

- Field worker to dispatcher ratio is currently at 8:1
- Phase I target ratio is 14:1
- Phase II target ratio is 43:1



Category	Phase I	Phase II Estimate
Mobile Users	68	63
Capital Expenditures	\$2.8 million	\$1.6 million
Average Annual Benefit	\$1.3 million	\$0.8 million
Expense Increase	\$0.4 million	\$0.4 million
Energy Business Tax Credit	\$700,000 Approved	N/A

- Phase I: Gas service and collections company-wide, gas compliance Oregon
- Phase II: Gas compliance in WA/ID, electric service workers company-wide
- Phase II: Excludes construction crews & CPCs

We answer to you.



2006 AGA/EEI CUSTOMER SERVICE CONFERENCE & EXPOSITION EXHIBITORS DIRECTORY, PP. 19-25

American Gas

THE MONTHLY MAGAZINE OF THE AMERICAN GAS ASSOCIATION WWW.AGA.ORG APRIL 2006

Mike Broemeling and
Vicki Weber, Avista

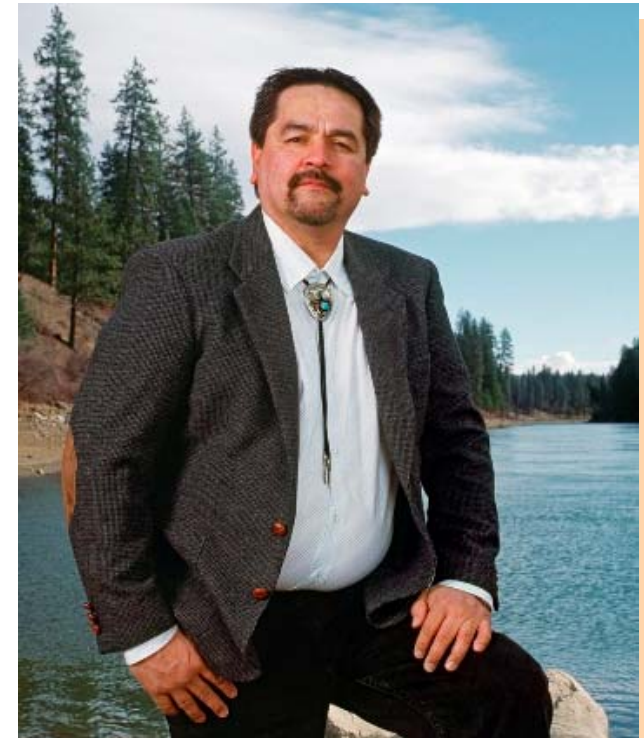
SERVICE WITH A SMILE

From revamping inside operations to outsourcing,
utilities are strengthening their call centers

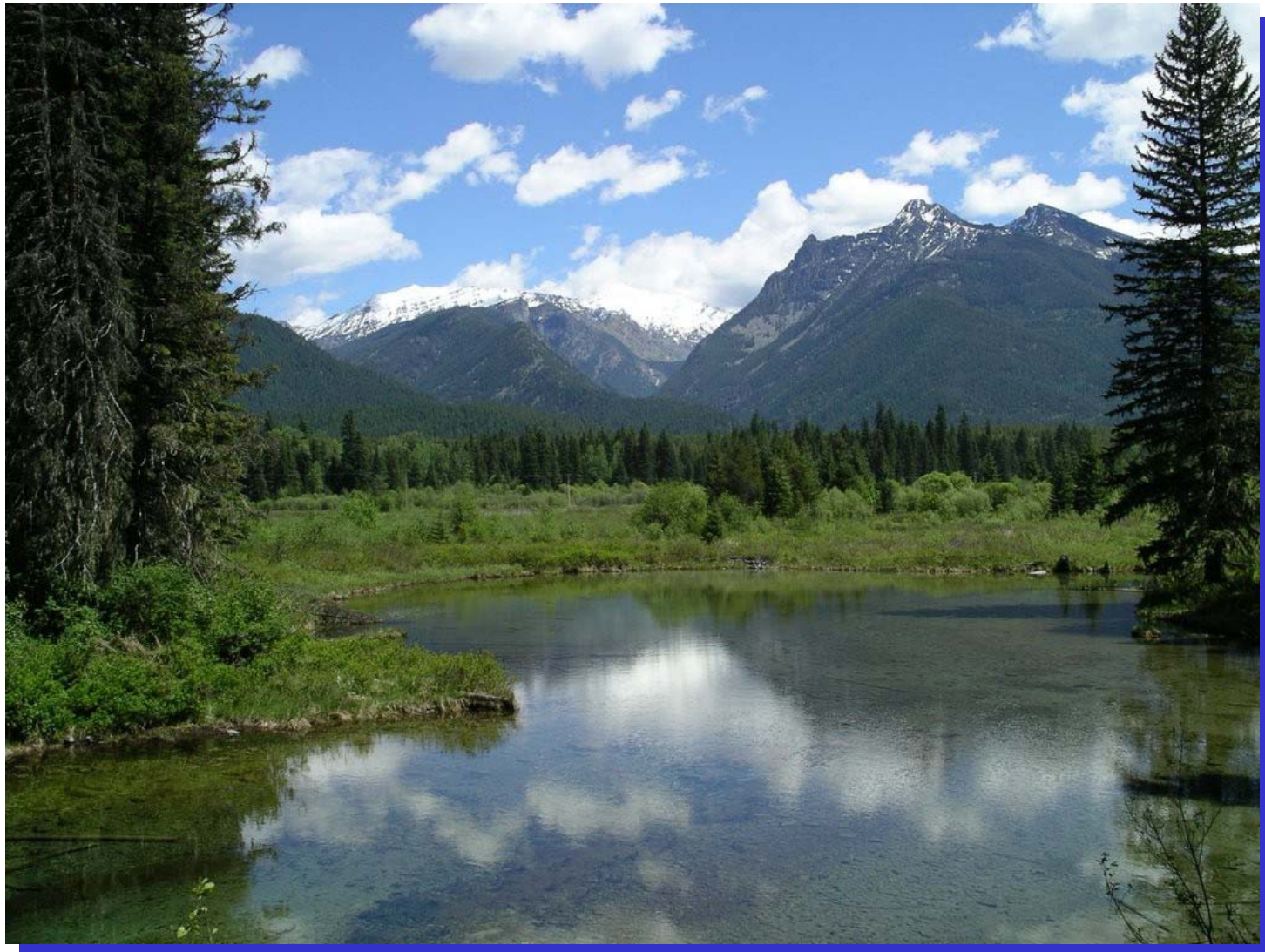
> Must-Read
Guidelines on
SCADA Security

“What is Avista doing to address water quality on rivers where the company operates hydroelectric dams, specifically as it relates to PM&Es and 401 certification?”

Greg Abrahamson
Chairman
Spokane Tribe of Indians
Wellpinit, Washington



Bull River Wildlife Management Area, Western Montana



We answer to you.

AVISTA
Corp.

Post Street Substation, Spokane, Washington



“Avista does a good job encouraging employees to get involved in the community. Is that mandated by some external authority, or is it simply a value promoted by our leadership to maintain good customer relations ?”

Cheryl Hagle
Distribution Dispatcher
Avista Utilities
Spokane, Washington



We answer to you.



*Empire Theatre
Tekoa, Washington*



ST. MARIES VOLUNTEER COMMUNITY CLINIC



*Meals on Wheels
Union County, Oregon*

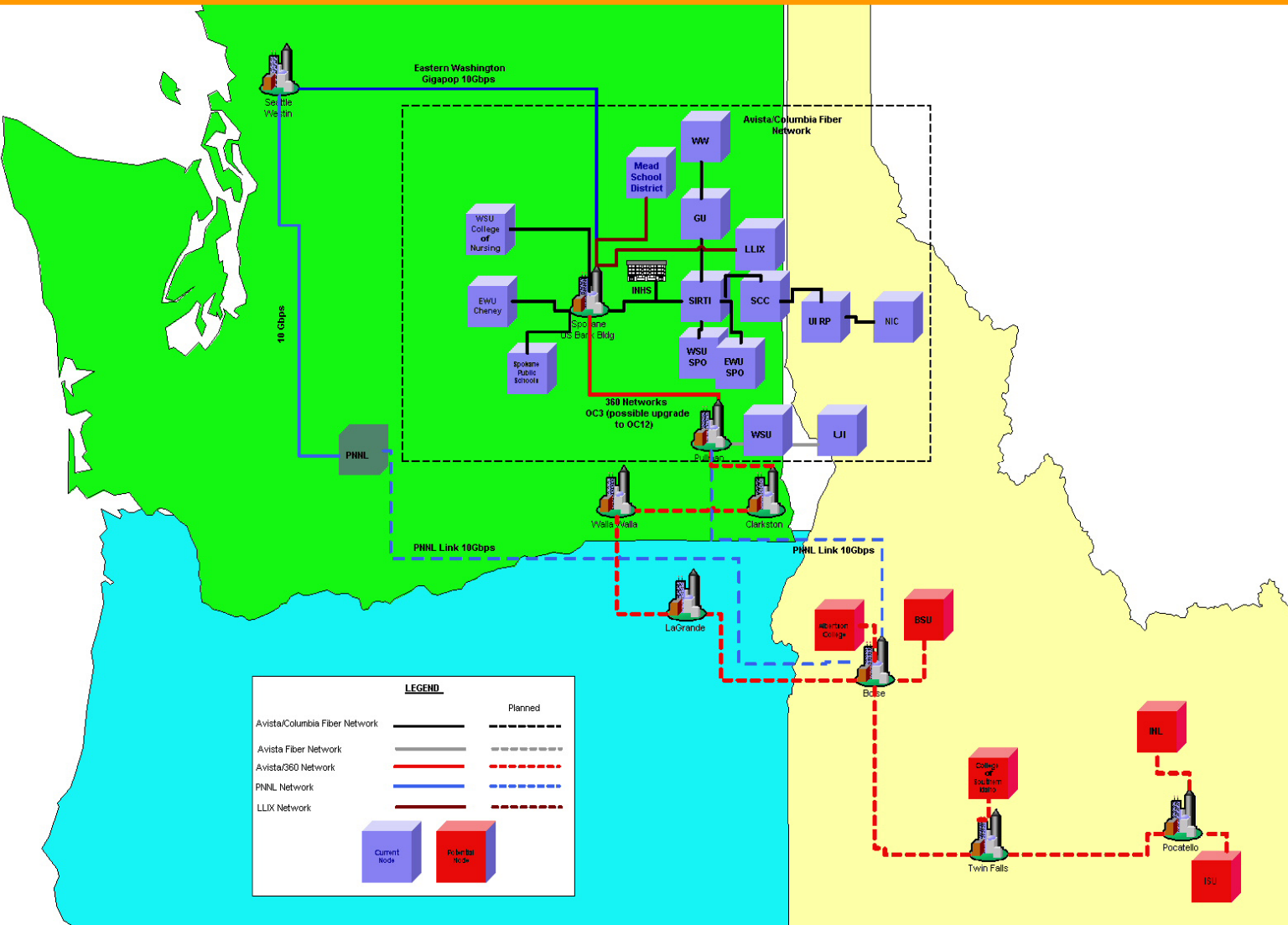
We answer to you.



Aerial View ~ University District, Spokane, Washington



VIRTUAL POSSIBILITIES NETWORK



Lt. Col. Michael P. Anderson Memorial Statue



We answer to you.

“We answer to you.”



We answer to you.



This presentation contains forward-looking statements, including statements regarding the company's current expectations for future financial performance and cash flows, capital expenditures, the company's current plans or objectives for future operations, future hydroelectric generation projections, projected energy deficits in future periods and other factors, which may affect the company in the future. Such statements are subject to a variety of risks, uncertainties and other factors, most of which are beyond the company's control and many of which could have significant impact on the company's operations, results of operations, financial condition or cash flows and could cause actual results to differ materially from the those anticipated in such statements.

The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: weather conditions, including the effect of precipitation and temperatures on the availability of hydroelectric resources and the effect of temperatures on customer demand; changes in wholesale energy prices that can affect, among other things, cash requirements to purchase electricity and natural gas for retail customers, as well as the market value of derivative assets and liabilities and unrealized gains and losses; volatility and illiquidity in wholesale energy markets, including the availability and prices of purchased energy and demand for energy sales; the effect of state and federal regulatory decisions affecting the ability of the Company to recover its costs and/or earn a reasonable return; the outcome of pending regulatory and legal proceedings arising out of the "western energy crisis" of 2001 and 2002, and including possible retroactive price caps and resulting refunds; changes in the utility regulatory environment in the individual states and provinces in which the Company operates as well as the United States and Canada in general; the outcome of legal proceedings and other contingencies concerning the Company or affecting directly or indirectly its operations; the potential effects of any legislation or administrative rulemaking passed into law, including the Energy Policy Act of 2005 which was passed into law in August 2005; the effect from the potential formation of a Regional Transmission Organization; wholesale and retail competition; changes in global energy markets; the ability to relicense the Spokane River Project at a cost-effective level with reasonable terms and conditions; unplanned outages at any Company-owned generating facilities; unanticipated delays or changes in construction costs with respect to present or prospective facilities; natural disasters that can disrupt energy delivery as well as the availability and costs of materials and supplies and support services; blackouts or large disruptions of transmission systems; the potential for future terrorist attacks, particularly with respect to utility plant assets; changes in the long-term climate of the Pacific Northwest; changes in future economic conditions in the Company's service territory and the United States in general; changes in industrial, commercial and residential growth and demographic patterns in the Company's service territory; the loss of significant customers and/or suppliers; failure to deliver on the part of any parties from which the Company purchases and/or sells capacity or energy; changes in the creditworthiness of customers and energy trading counterparties; the Company's ability to obtain financing through the issuance of debt and/or equity securities; the effect of any potential change in the Company's credit ratings; changes in actuarial assumptions, the interest rate environment and the actual return on plan assets with respect to the Company's pension plan; increasing health care costs and the resulting effect on health insurance premiums paid for employees and on the obligation to provide postretirement health care benefits; increasing costs of insurance, changes in coverage terms and the ability to obtain insurance; employee issues, including changes in collective bargaining unit agreements, strikes, work stoppages or the loss of key executives, as well as the ability to recruit and retain employees; changes in rapidly advancing technologies, possibly making some of the current technology quickly obsolete; changes in tax rates and/or policies; and changes in, and compliance with, environmental and endangered species laws, regulations, decisions and policies, including present and potential environmental remediation costs.

For a further discussion of these factors and other important factors, please refer to the company's Annual Report on Form 10-K for the year ended Dec. 31, 2005. The forward-looking statements contained in this presentation speak only as of the date hereof. The company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the company's business or the extent to which any such factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.