UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(mark one)
|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2000

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from to

Commission file number 0-22418

ITRON, INC.
(Exact name of registrant as specified in its charter)

Washington	91-1011792
(State of Incorporation)	(I.R.S. Employer Identification Number)

2818 North Sullivan Road
Spokane, Washington 99216-1897
(509) 924-9900
(Address and telephone number of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes__X___ No_____

As of October 31, 2000, there were outstanding 15,326,361 shares of the registrant's common stock, no par value, which is the only class of common or voting stock of the registrant.

Itron, Inc.

Table of Contents

	Page
Part 1: FINANCIAL INFORMATION	
Item 1: Financial Statements (Unaudited)	
Consolidated Statements of Operations	1
Consolidated Balance Sheets	2
Consolidated Statements of Cash Flows	3
Notes to Consolidated Financial Statements	
Note 1: Basis of Presentation	4
Note 2: Earnings Per Share and Capital Structure	4
Note 3: Restructuring	4
Note 4: Balance Sheet Components	5
Note 5: Segment Information	5
Note 6: Contingencies	7
Note 7: Impact of New Accounting Standards	7
Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations	
Revenues	8
Gross Margin	9
Operating Expense	10
Other Income	10
Income Tax	11
Extraordinary Item	11
Financial Condition	
Cash Flow Information	11
Business Outlook	12

Part 2: OTHER INFORMATION

Item 1: Legal Proceedings	13
Item 6: Exhibits and Reports on Form 8-K	14
Signature	15

Part 1: Financial Information

Item 1: Financial Statements

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
Revenues	2000	1999	2000	1999
Sales	$ 32,170	$ 34,893	$102,542	$ 111,690
Service	10,351	13,640	32,451	40,009
Total revenues	42,521	48,533	134,993	151,699
Cost of revenues				
Sales	18,914	20,391	61,136	68,221
Service	6,594	10,516	21,595	30,470
Total cost of revenues	25,508	30,907	82,731	98,691
Gross profit	17,013	17,626	52,262	53,008
Operating expenses				
Sales and marketing	5,095	6,338	15,318	18,713
Product development	4,632	5,961	16,114	19,516
General and administrative	4,363	3,050	13,046	9,437
Amortization of intangibles	466	453	1,397	1,433
Restructuring charges	-	8,828	(185)	9,949
Total operating expenses	14,556	24,630	45,690	59,048
Operating income (loss)	2,457	(7,004)	6,572	(6,040)
Other income (expense)				
Equity in affiliates	138	(102)	893	(413)
Interest, net	(912)	(1,425)	(3,453)	(4,830)
Other	(3)	142	339	249
Total other income (expense)	(777)	(1,385)	(2,221)	(4,994)
Income (loss) before income taxes and extraordinary item	1,680	(8,389)	4,351	(11,034)
Income tax (provision) benefit	(640)	2,521	(1,650)	3,351
Income (loss) before extraordinary item	1,040	(5,868)	2,701	(7,683)
Extraordinary gain on early extinguishment of debt net of income taxes of $570 and $1,970	-	-	1,047	3,660
Net income (loss)	$ 1,040	$ (5,868)	$ 3,748	$(4,023)
Earnings per share				
Basic and diluted				
Income (loss) before extraordinary item	$ 0.07	$ (0.39)	$ 0.17	$ (.52)
Extraordinary item	-	-	0.07	0.25
Net income (loss)	$ 0.07	$ (0.39)	$ 0.24	$ (.27)
Average number of shares outstanding				
Basic	15,237	14,885	15,132	14,817
Diluted	15,512	14,885	15,408	14,817

The accompanying notes are an integral part of these financial statements.

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)	September 30, 2000	December 31, 1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 19,699	$ 1,538
Accounts receivable, net	37,655	46,561
Current portion of long-term contracts receivable	3,050	2,579
Inventories, net	16,009	15,300
Equipment held for sale, net	-	32,750
Deferred income tax asset	5,892	8,016
Other	285	1,340
Total current assets	82,590	108,084
Property, plant and equipment, net	26,230	31,627
Equipment used in outsourcing, net	9,881	5,951
Intangible assets, net	13,353	15,196
Deferred income tax asset	25,725	26,922
Long-term contracts receivable	4,152	1,813
Other	3,839	2,486
Total assets	$ 165,770	$ 192,079
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ -	$ 3,646
Accounts payable and accrued expenses	24,519	35,369
Wages and benefits payable	7,123	16,396
Deferred revenue	5,384	8,413
Total current liabilities	37,026	63,824
Convertible subordinated debt	53,459	57,234
Mortgage notes and leases payable	5,122	6,280
Project financing	6,811	7,216
Warranty and other obligations	10,712	10,000
Total liabilities	113,130	144,554
Shareholders' equity		
Common stock	109,392	107,603
Retained deficit	(54,757)	(58,506)
Accumulated other comprehensive income	(1,995)	(1,572)
Total shareholders' equity	52,640	47,525
Total liabilities and shareholders' equity	$ 165,770	$ 192,079

The accompanying notes are an integral part of these financial statements.

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)	Nine months ended September 30, 2000	1999
OPERATING ACTIVITIES		
Net income (loss)	$ 3,748	$(4,023)
Noncash charges (credits) to income:		
Depreciation and amortization	10,280	13,929
Deferred income tax provision (benefit)	2,751	(3,360)
Equity in affiliates, net	(717)	413
Extraordinary gain on early extinguishment of debt, net of taxes	(1,047)	(3,660)
Loss on equipment disposal	(500)	4,764
Changes in operating accounts:		
Accounts receivable	8,837	23,660
Inventories	(709)	1,521
Accounts payable and accrued expenses	(8,858)	(1,339)
Wages and benefits payable	(9,273)	2,929
Long-term contracts receivable	(2,810)	(6,439)
Deferred revenue	(3,029)	(4,511)
Other, net	138	177
Cash provided by operating activities	(1,189)	24,061
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,636)	(4,558)
Equipment used in outsourcing	(4,367)	(6,363)
Proceeds from sale of equipment used in outsourcing	33,000	-
Proceeds from sale of business interest	370	-
Other, net	(1,109)	326
Cash provided (used) by investing activities	24,258	(10,595)
FINANCING ACTIVITIES		
Change in short-term borrowings, net	(3,646)	(14,000)
Payments on project financing	(405)	(376)
Issuance of common stock	1,789	1,207
Purchase and retirement of subordinated debt	(2,098)	-
Other, net	(548)	(205)
Cash provided (used) by financing activities	(4,908)	(13,374)
Increase in cash and cash equivalents	18,161	92
Cash and cash equivalents at beginning of period	1,538	2,743
Cash and cash equivalents at end of period	$ 19,699	$ 2,835

The accompanying notes are an integral part of these financial statements.

ITRON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2000

Note 1: Basis of Presentation

The consolidated financial statements presented in this Form 10-Q are unaudited and reflect, in the opinion of management, all normal recurring adjustments necessary for a fair presentation of operations for the three and nine-month periods ended September 30, 2000. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim results. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Form 10-K for the year ended December 31, 1999, as filed with the Securities and Exchange Commission on March 30, 2000. The results of operations for the three and nine-month periods ended September 30, 2000 are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period.

Note 2: Earnings Per Share and Capital Structure

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2000	1999	2000	1999
Weighted average shares outstanding	15,237	14,885	15,132	14,817
Effect of dilutive securities:				
Stock options	275	-	276	-
Convertible debt	-	-	-	-
Weighted average shares outstanding assuming conversion	15,512	14,885	15,408	14,817

Options to purchase common stock have been granted at fair market value to directors, employees and other key personnel. These options will dilute the ownership of our stock if they are exercised. The dilutive effect of these options is included for purposes of calculating diluted earnings per share using the "treasury stock" method. We also have subordinated convertible notes outstanding. These notes are not included in the above calculation as the shares are anti-dilutive in all periods when using the "if converted" method.

Note 3: Restructuring

We recorded charges totaling $20.6 million in 1998 and 1999 for restructuring activities that have improved efficiencies and reduced costs. These activities include workforce reductions, the sale or disposition of assets, the write-off of certain of our intangible assets and the closure and consolidation of facilities. In 1999, we aggressively continued our restructuring activities to further reduce spending and to realign the Company into five market-focused business units.

Restructuring reserves and activity for the first nine months of 2000 are detailed below (in thousands):

	Cash/ Non-Cash	Reserve Balance 12/31/99	Restructuring Charge	Activity	Reserve Balance 9/30/00
Severance and related charges	Cash	$ 8,988	$ 315	$ 9,051	$ 252
Asset impairment	Non-cash	3,600	(500)	3,100	-
Consolidation of facilities	Cash	2,981	-	331	2,650
Totals		$ 15,569	$ (185)	$ 12,482	$2,902

The reserve balances for severance and related charges and asset impairment are expected to be fully utilized in 2000. Facility consolidation reserves are dependent on our ability to sublease vacant space, which is under a non-cancelable operating lease through 2006.

Note 4: Balance Sheet Components

(in thousands)	September 30, 2000	December 31, 1999
Inventories		
Raw material	$ 5,970	$ 6,428
Work in process	1,252	1,462
Finished goods	7,726	5,702
Field inventories awaiting installation	-	466
Total manufacturing inventories	14,948	14,058
Service inventories	1,061	1,242
Total inventories	$16,009	$15,300

Note 5: Segment Information

Effective January 2000, we reorganized internally around strategic business units ("SBUs") focused on the customer segments that we serve. These SBUs include Electric Systems, Natural Gas Systems, Water & Public Power Systems, Energy Information Systems, and International Systems. Our Energy Information Systems SBU has two main areas of focus today, advanced software solutions for commercial and industrial users of energy, and advanced software systems for financial settlements, load analysis and billing for wholesale energy markets.

Sales for these SBUs include hardware, custom and licensed software, consulting, project management, and installation and support activities. Service revenues are derived from post-sale maintenance support and outsourcing services, where we own and operate, or simply operate systems for a periodic fee. Intersegment revenues are immaterial.

Management intends to review the operating results of each segment both before and after allocations of corporate expenses. Allocation methods may change over time. Certain amounts in the 1999 financial statements have been reclassified to conform with the 2000 presentation.

Segment revenues and gross profits for the comparable third quarter and nine-month periods are detailed below.

(in thousands)	Three months ended September 30, 2000	Three months ended September 30, 1999	Nine months ended September 30, 2000	Nine months ended September 30, 1999
Revenues				
Electric	$ 11,993	$ 16,594	$ 40,238	$ 47,938
Natural Gas	9,995	10,885	31,986	36,534
Water & Public Power	12,177	11,075	37,672	42,625
Energy Information Systems	4,578	4,347	15,661	11,325
International	3,778	5,632	9,436	13,278
Total revenues	42,521	48,533	134,993	151,699
Gross Profit				
Electric	3,933	3,652	13,437	6,786
Natural Gas	4,929	5,315	14,731	18,905
Water & Public Power	4,481	3,840	12,274	16,102
Energy Information Systems	2,027	2,535	7,570	6,670
International	1,643	2,284	4,250	4,545
Total gross profit	17,013	17,626	52,262	53,008
CORPORATE ITEMS				
Operating expenses				
Sales and marketing	5,095	6,338	15,318	18,713
Product development	4,632	5,961	16,114	19,516
General and administrative	4,363	3,050	13,046	9,437
Amortization of intangibles	466	453	1,397	1,433
Restructuring charges	-	8,828	(185)	9,949
Total operating expenses	14,556	24,630	45,690	59,048
Operating income (loss)	2,457	(7,004)	6,572	(6,040)
Other income (expense)				
Equity in affiliates	138	(102)	893	(413)
Interest, net	(912)	(1,425)	(3,453)	(4,830)
Other	(3)	142	339	249
Total other income (expense)	(777)	(1,385)	(2,221)	(4,994)
Income (loss) before income taxes and extraordinary item	$ 1,680	$ (8,389)	$ 4,351	$(11,034)

Note 6: Contingencies

We are a party to various lawsuits and claims, both as plaintiff and defendant, and have contingent liabilities arising from the conduct of business, none of which, in the opinion of management, is expected to have a material effect on our financial position or results of operations. We believe that we have made adequate provisions for such contingent liabilities.

Note 7: Impact of New Accounting Standards

SFAS No. 133 and 138

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. In June 2000, the FASB issued SFAS No. 138, which amends certain provisions of SFAS 133. We have been reviewing the implementation of SFAS 133 on a global basis for the Company. We will adopt SFAS 133 and the corresponding amendments under SFAS 138 on January 1, 2001. SFAS 133, as amended by SFAS 138, is not expected to have a material impact on Itron's consolidated results of operations, financial position or cash flows.

SAB No. 101

Effective October 1, 2000, the Company adopted SEC Staff Accounting Bulletin No. 101, as amended, Revenue Recognition in Financial Statements (SAB No. 101), which provides the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues. Under SAB No. 101, certain of our revenues that had been recognized in prior quarters of 2000 prior to adoption, must be deferred until future quarters. While we have not completed our analysis, we estimate that approximately $2.5 million of revenues previously recognized are impacted by the adoption of SAB No. 101. In the fourth quarter, we will recognize the effect of the adoption of SAB No. 101 as a charge of approximately $700,000, net of taxes. This will be presented as a cumulative effect of change in accounting principle, similar to the reporting of extraordinary items. We anticipate that the $2.5 million in deferred revenues will be recognized in the fourth quarter.

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OVERVIEW

Itron is a leading provider of data collection and management solutions for electric, gas and water utilities throughout the world. Itron technology is used by more than 2,000 utilities in over 45 countries around the world to collect data from 275 million electric, gas and water meters. Of those, more than 650 customers are using our radio and telephone-based technology to automatically collect and process information from nearly 17 million meters. In addition, our technology is being used by a number of the newly created wholesale energy markets in the US and Canada to provide critical billing and settlement systems for deregulated markets. Our systems touch more than $200 billion in energy and water transactions every year in North America alone.

Only 10% of the electric, gas and water meters in North America are read using automated meter data collection and communication systems. While we are aggressively pursuing the numerous opportunities remaining for advanced metering and billing systems, we also intend to use our core technology and industry knowledge to move beyond meter reading and open up new opportunities for growth. These new opportunities are centered around supplying systems, technology and services to help electric, gas and water utilities:

- Run their distribution systems more efficiently,
- Automate the data and information requirements of deregulation and performance based ratemaking, and
- Outsource services utilities no longer want to or no longer have the people or expertise to perform.

We design, develop, manufacture, market, install and service hardware, software and integrated systems. Sales include hardware, custom and licensed software, consulting, project management and installation and sales support activities. Services include post-sale maintenance support and outsourcing services where we own and operate, or simply operate systems for a periodic fee.

We currently derive the majority of our revenues from sales of products and services to utilities. However, our business may increasingly consist of sales to other energy and water industry participants such as energy service providers, end user customers, wholesale power markets, and others.

RESULTS OF OPERATIONS

Revenues ($'s in millions)	Three months ended September 30, 2000	1999	Increase (Decrease)	Nine months ended September 30, 2000	1999	Increase (Decrease)
Electric	$ 12.0	$ 16.6	(28%)	$ 40.2	$ 47.9	(16%)
Natural Gas	10.0	10.9	(8%)	32.0	36.6	(13%)
Water & Public Power	12.1	11.1	9%	37.7	42.6	(12%)
Energy Information Systems	4.6	4.3	7%	15.7	11.3	39%
International	3.8	5.6	(32%)	9.4	13.3	(29%)
Total revenues	$ 42.5	$ 48.5	(12%)	$135.0	$151.7	(11%)

Segment revenues can vary from quarter to quarter due to the timing and size of large customer contracts. Quarter-to-quarter variations are not necessarily indications of overall segment trends.

For the third quarter and nine months ended September 30, the largest decrease in revenues in 2000, compared with 1999, is in our Electric segment. In 1999, we had a fee-for-service outsourcing contract with Duquesne Light that resulted in $4.3 million in revenues in the third quarter and $13.3 million in the nine-months ended September 30. In 2000, that contract produced $2.7 million in revenues in the first quarter. At the end of the first quarter of 2000, we sold our system to an affiliate of Duquesne, and as a result, no longer have those outsourcing revenues. Excluding revenues from the Duquesne contract in both years, revenues in our Electric segment were actually 8% higher in 2000 compared with 1999 primarily as a result of increased electric meter module shipments.

In 1999, a single customer accounted for approximately $10.6 million, or 30% of year-to-date revenues in our Natural Gas segment. Shipments under this large multi-year contract began to wind down in 2000 as the contract is nearly completed, and accounted for only $5.9 million, or 18% of year-to-date revenues in 2000. Excluding activity for that customer, revenues increased 12% in 2000 compared with 1999, as a result of increased gas meter module shipments.

The lower revenues in 2000, compared with 1999, in our Water & Public Power segment result primarily from lower handheld electronic meter reading system revenues in 2000. Handheld sales in 1999 were higher than normal due to customer upgrades to handheld systems that were Y2K compliant. The number of water meter modules shipped in the first nine months of 2000 was comparable with the first nine months of 1999.

Revenues in our Energy Information Systems ("EIS") segment have increased in 2000 compared with 1999, primarily as a result of substantial consulting, energy settlement systems, and software customization activities in the wholesale energy market in Ontario, Canada. The start-up of operations for the Ontario wholesale market was delayed in the third quarter of 2000 by approximately 6 months. This resulted in slower revenue growth in the third quarter for EIS compared to EIS's revenue growth rates for the previous two quarters of this year.

International revenues in both 2000 and 1999 are primarily derived from sales of handheld systems. Handheld system sales in 1999 were higher as a result of customer upgrades to Y2K compliant systems.

Gross Margin (as a % of corresponding revenue)	Three months ended September 30,			Nine months ended September 30,		
	2000	1999	Increase (Decrease)	2000	1999	Increase (Decrease)
Electric	33%	22%	11%	33%	14%	19%
Natural Gas	49%	49%	-	46%	52%	(6%)
Water & Public Power	37%	35%	2%	33%	38%	(5%)
Energy Information Systems	44%	58%	(14%)	48%	59%	(11%)
International	43%	41%	2%	45%	34%	11%
Total Revenues	40%	36%	4%	39%	35%	4%

As discussed under revenues above, we had a substantial amount of revenues in the third quarter and first nine months of 1999 in our Electric segment related to our outsourcing contract with Duquesne Light that were at a very low gross margin. In addition, in the second quarter of 1999, gross margins in our Electric segment were impacted by a $4.2 million price concession to a customer for a large network installation.

The lower gross margins for our Natural Gas segment for the first nine months of 2000 compared with 1999 results from lower average selling prices in the 2000 period. Average selling prices in this segment vary per customer primarily as a result of volume commitments.

The lower gross margins in our Water & Public Power segment in 2000 result from lower average selling prices due to a higher proportion of business in 2000 sold through indirect selling channels as well as higher service costs in 2000.

A substantial portion of revenues in our EIS segment come from custom software and development activities related to wholesale energy systems. Margins can vary from period to period depending on the mix of license revenues verses custom development activities, but are typically much higher than in our other business segments. Margins in the third quarter of 2000 were negatively impacted by the delay in the start-up of operations for the Ontario wholesale market.

Higher margins for International in 2000 reflect a shift in product mix towards more profitable handheld systems and away from lower margin development systems in Europe.

Operating Expenses

(%'s are of total revenue) ($'s in millions)	Three months ended September 30, 2000		1999		Nine months ended September 30, 2000		1999	
Sales and marketing	$5.1	12%	$6.3	13%	$15.3	11%	$18.7	12%
Product development	4.6	11%	6.0	12%	16.1	12%	19.5	13%
General and administrative	4.4	10%	3.0	6%	13.0	10%	9.4	6%
Amortization of intangibles	0.5	1%	0.5	1%	1.4	1%	1.4	1%
Restructuring charges	-		8.8	18%	(0.2)	-	9.9	7%
Total operating expenses	$14.6	34%	$24.6	51%	$45.7	34%	$59.0	39%

Effective January 1, 2000 we reorganized into strategic business units. With the reorganization, certain personnel related to management and sales support that had been classified as sales and marketing in previous years are now classified as general and administrative. Approximately $1.6 million of the year-to-date decrease in sales and marketing is due to this reclassification. The remaining decrease results from a reduction in international staff, fewer domestic salespeople for the comparative periods, and lower commission expense from lower revenues.

The decrease in product development expenses in 2000 compared with 1999 results primarily from restructuring measures in 1999 which included the closure of several product development locations and associated staff reductions.

The increased general and administrative expenses in 2000 compared with 1999 result from: the reclassification of personnel previously included in sales and marketing; expenses for executive recruiting and relocation; and increased legal and consulting costs. Higher legal costs in the current year are mostly the result of increased litigation expenses, and patent and FCC licensing activity.

Amortization of intangibles remained relatively constant for the comparative periods.

Restructuring charges in the first half of 2000 were slightly negative due to the partial reversal of expected losses for equipment to be sold or disposed. Restructuring measures are substantially complete.

Other Income (Expense) ($'s in millions)	Three months ended September 30, 2000	1999	Nine months ended September 30, 2000	1999
Equity in affiliates	$ .1	$ (.1)	$ .9	$ (.4)
Interest, net	(.9)	(1.4)	(3.4)	(4.8)
Other	-	0.1	0.3	.2
Total other income (expense)	$ (0.8)	$ (1.4)	$ (2.2)	$ (5.0)

We have a 50% ownership interest in an affiliate, which acts as a distributor for our products in specific regions of the U.S. Equity in affiliates in 2000 largely results from increased sales by this affiliate. In addition, year-to-date equity in affiliates in 2000 includes a $150,000 net gain on the sale of our interest in another partially owned domestic affiliate.

Net interest expense decreased 36% and 29% for the quarter and year-to-date periods in 2000 compared with 1999 due to lower bank borrowings, a reduction of subordinated debt outstanding, and net invested cash during 2000. We received approximately $32.7 million from the sale of our outsourcing installation at Duquesne in the first half of this year and used the proceeds to pay down short-term bank borrowings. Excess cash is invested in short-term investment grade securities. The reduction in subordinated debt resulted from a debt repurchase transaction in the first quarter of 2000.

Income Taxes

The effective income tax rate was approximately 38% in 2000 compared with 30% in 1999. Our effective income tax rate can vary from period to period because of fluctuations in foreign operating results, changes in the valuation allowances for deferred tax assets, new or revised tax legislation, and changes in the level of business performed in differing tax jurisdictions.

Extraordinary Item - Gain on Early Retirement of Debt

In the first quarter of 2000 we repurchased $3.8 million principal amount of subordinated debt for $2.1 million in cash. The gain on this early retirement of debt, net of expenses and income taxes, was $1.0 million. In March 1999 we completed an offer to exchange $15.8 million principal amount of new subordinated debt for $22.0 million principal amount of original subordinated debt. The after-tax effect of the transaction, net of expenses, was a gain of $3.7 million.

FINANCIAL CONDITION

Cash Flow Information	Three months ended September 30,		Nine months ended September 30,	
($'s in millions)	2000	1999	2000	1999
Operating activities	$ (8.8)	$ 11.1	$ (1.2)	$24.1
Investing activities	(2.6)	(2.7)	24.3	(10.6)
Financing activities	.4	(8.5)	(4.9)	(13.4)
Increase (decrease) in cash	$ (11.0)	$ (.1)	18.2	$ 0.1

Operating activities:
We used cash in the third quarter of 2000 as a result of an increase in accounts receivable due to a high proportion of revenues occurring late in the quarter. During the quarter, we made a change in our water pit meter module so that it would be easier for field personnel to install. We chose not to ship product until the change was complete which was late in the third quarter. Also contributing to the use of cash during the quarter was the pay-down of accounts payable due to a last time buy of inventory related to a change in the component for future builds.

During the first nine months of 2000, we used $9.1 million in cash to pay amounts related to severance, facility closures, and other actions related to our major restructuring in late 1999. Without those cash payments, cash flow from operations would have been $7.9 million positive for the first nine months of 2000. The positive cash flow in the first nine months of 1999 reflected the collection of receivables from several completed or substantially completed large projects.

Investing activities:
In the first nine months of 2000, we received $33 million from the sale of our network installation at Duquesne Light Company to an affiliate of Duquesne, which is reflected in investing activities. We used an additional $8.0 million in the first nine months of 2000, primarily for capital additions and the acquisition of equipment for our outsourcing contract with Southern California Edison. Total capital additions for 2000, including outsourcing equipment requirements, are expected to be approximately $10 million.

Financing activities:
We used $3.6 million in cash to pay down short-term bank borrowings and $2.1 million to repurchase and retire subordinated debt in the first quarter of 2000. We used cash in the first nine months of 1999 principally to pay down short-term bank borrowings.

We believe that existing cash resources and available borrowings under our credit facility are more than adequate to meet our cash needs through 2001.

BUSINESS OUTLOOK

In light of the recent adoption by the SEC of Regulation Fair Disclosure, we are including the following outlook information. Throughout the quarter, we will continue our current practice of having corporate representatives meet privately with investors, analysts and others. To the extent those discussions pertain to earnings related information, we will continue to provide additional commentary and discussion on details of the financial statements and outlook as long as we are providing information that we believe is already publicly available or clearly non-material. As the quarter progresses, we will refrain from commenting on previously issued guidance from the standpoint of confirming it, or indicating we have revised expectations, either better or worse, unless we choose to provide updated guidance in the form of a press release or other public documents.

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

We believe that fourth quarter revenues could be as much as 10% higher than third quarter revenues of $42.5 million. This expectation is primarily a result of potential business in our Electric and International business segments, a portion of which is not yet booked.

We expect gross margin and operating expenses in the fourth quarter to be similar to the levels we have experienced over the last few quarters.

We expect to have neutral cash flow from operations for the year, which reflects the use of approximately $10 million in cash in 2000 for 1999 restructuring actions.

Based on our preliminary outlook, we believe revenues from our current business in 2001 could be 5% to 10% higher than in 2000. Our estimate is based upon several major utilities, with whom we are in discussions, moving forward with their planned projects. As we have sometimes experienced in the past, customer delays in planned projects can occur as a result of industry or customer specific operational issues.

Certain Forward-Looking Statements

When included in this discussion, the words "expects," "intends," "believes," "anticipates," "plans," "projects" and "estimates," and similar expressions are intended to identify forward-looking statements. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Such risks and uncertainties include, among others, changes in laws or regulations (including FCC licensing actions), the rate of customer demand for our products, the effectiveness of our cost reductions programs, our ability to effect additional initiatives for growth and profitability, delays or difficulties in introducing new products and acceptance of those products, ability to obtain project financing in amounts necessary to fund future outsourcing agreements, increased competition and various other matters, many of which are beyond the Company's control. For a more complete description of these and other risks, see "FCC Regulations" section in this document and "Certain Risk Factors" and "Description of Business - FCC Regulation" included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999. These forward-looking statements speak only as of the date of this report. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change on the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Part 2: Other Information

Item 1: Legal Proceedings

Benghiat Patent Litigation

On April 3, 1999, the Company served Ralph Benghiat, an individual, with a complaint seeking a declaratory judgement that a patent owned by Benghiat is invalid and not infringed by Itron's handheld meter reading devices. Benghiat has filed a counterclaim alleging patent infringement by the same devices. Both lawsuits were filed in the United States District Court for the District of Minnesota. The lawsuit is currently in the motion and discovery stage with a tentative trial date in 2001. While the Company believes that its products do not infringe the Benghiat patent, there can be no assurance that it will prevail in this matter, or that if it does prevail, that legal costs incurred in connection therewith will not have a material adverse effect on its financial condition.

FCC Regulation

In 1994 the Company was issued a non-exclusive nationwide Federal Communications Commission (FCC) license to operate in the 1427-1432 MHz band. With the exception of meter modules that operate in MAS bands and the 910-920 MHz band, our network products operate in parts of this band. At the time our license was issued, the 1427-1432 MHz band was allocated primarily for use by the federal government, which consented to our use of the band on a secondary, non-interference basis. Current government use of the band is limited to a discrete number of well-defined locations, and we did not expect the fact that we were secondary to federal government operations to have either a present or future material impact on our business.

The 1427-1432 MHz band is among 235 MHz of spectrum that has been earmarked for reallocation from federal government users to private sector users (to be licensed by the FCC). The band is subject to continuing federal government use in specified areas through 2004. The FCC initially decided to include the 1427-1432 MHz band in a spectrum reserve that would not be reallocated and assigned until 2006. In July 1999, however, the FCC proposed to accelerate this timetable and allocate the upper portion of the band to wireless medical telemetry operations. We filed a petition with the FCC for rulemaking proposing instead that the band be allocated for automatic meter reading and utility telemetry operations.

On June 8, 2000, the FCC issued a Report and Order allocating three MHz of the band (1429-1432MHz) on a primary basis for use by wireless medical telemetry. Use of the remaining two MHz (1427-1429MHz) will be the subject of further rulemaking proceedings by the FCC, which may or may not grant Itron the right to use that band. Until that time, we may continue operating in the 1427-1429MHz band. We have had discussions with the FCC and the medical telemetry community concerning the sharing of the entire five MHz of the band. In addition, we are working with our congressional delegations in Washington, Minnesota and North Carolina to provide a legislative solution that would permit Itron to use the entire 5 MHz of the band on a co-primary basis with wireless medical telemetry. While we believe we will reach an acceptable solution for use of the band, there can be no assurance that there will be an allocation for the band that is compatible with Itron's business.

If we are not successful in our efforts to continue operations in the 1427-1432 MHz band, we believe that current installations will be permitted to continue under a grandfathering provision. However, there can be no assurance that such grandfathering will be permitted or that we will have any rights whatsoever in the band after final rulemaking by the FCC. In such event, our network products (other than modules) would have to be redesigned to operate at a different frequency spectrum, which could have a material adverse effect on our business. For further discussion, please see "FCC Regulation Intellectual Property" and "Certain Risk Factors - Availability and Regulation of Radio Spectrum" in our Annual Report on Form 10K on file with the SEC.

CellNet Patent Litigation

On October 3, 1996, the Company filed a patent infringement suit against CellNet Data Systems ("CellNet") in the United States District Court for the District of Minnesota. The suit alleges that CellNet is infringing on its United States Patent No. 5,553,094 entitled "Radio Communication Network for Remote Data Generating Stations," issued on September 3, 1996. The Company is seeking injunctive relief as well as monetary damages, costs and attorneys' fees. On January 28, 1999, the Court issued its decision on motions and cross motions for summary judgement that had previously been filed by the Company and CellNet. In its decision, the Court held the Company's patent valid, but not infringed. Both parties appealed the decision to the federal Circuit Court of Appeals. Oral arguments were heard on the appeal in October 2000 and the appellate court upheld the lower court decision in all respects.

The Company is not involved in any other material legal proceedings.

Item 6: Exhibits and Reports on Form 8-K

a) Exhibits

10.24 Third Amendment to Credit Agreement

Exhibit 27 - Financial Data Schedule

- ---

SIGNATURE

Pursuant to the requirements of the Securities Exchange Commission Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ITRON, INC.
(Registrant)

By: /s/ David G Remington
David G. Remington
Vice President and
Chief Financial Officer
(Authorized Officer and Principal
Financial Officer)

Date: November 14, 2000

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT ("Amendment") is entered into as of June 30, 2000, by and among ITRON, INC., a Washington corporation ("Itron") and UTILITY TRANSLATION SYSTEMS, INC., a North Carolina corporation ("UTS") (Itron and UTS are sometimes collectively referred to herein as the "Borrowers" and individually as a "Borrower"), the other Credit Parties signatory hereto; the lenders signatory hereto (each individually a "Lender") and collectively the "Lenders"); and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation (in its individual capacity, "GE Capital"), for itself, as a Lender, and as administrative agent for Lenders (in such capacity, "Agent").

RECITALS

A. Borrowers, the other Credit Parties signatory hereto, Lenders, and Agent have entered into that certain Credit Agreement dated as of January 18, 2000, as amended by the First Amendment to Credit Agreement dated as of February 28, 2000, and the Second Amendment to Credit Agreement dated as of March 30, 2000 (the "Credit Agreement"); pursuant to which Agent and Lenders are providing financial accommodations to or for the benefit of Borrowers upon the terms and conditions contained therein. Unless otherwise defined herein, capitalized terms or matters of construction defined or established in Annex A to the Credit Agreement shall be applied herein as defined or established therein.

B. Borrower has requested that Agent and Lenders amend the Credit Agreement and other Loan Documents, and Agent and Lenders are willing to do so subject to the terms and conditions of this Amendment.

AGREEMENT

NOW, THEREFORE, in consideration of the continued performance by Borrowers and each other Credit Party of their respective promises and obligations under the Credit Agreement and the other Loan Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrowers, the other Credit Parties signatory hereto, Lenders, and Agent hereby agree as follows:

1. Ratification and Incorporation of Credit Agreement and Other Loan Documents. Except as expressly modified under this Amendment, (a) each Borrower and each other Credit Party hereby acknowledges, confirms, and ratifies all of the terms and conditions set forth in, and all of their respective obligations under, the Credit Agreement and the other Loan Documents, including the provisions of Section 12 of the Credit Agreement, and (b) all of the terms and conditions set forth in the Credit Agreement and the other Loan Documents are incorporated herein by this reference as if set forth in full herein.

2. Amendments to Credit Agreement.

a. Section 6.2(h) of the Credit Agreement is hereby deleted in its entirety and the following is substituted therefore:

> (h) so long as Agent has not delivered an Activation Notice, Credit Parties may make investments, subject to Control Letters in favor of Agent for the benefit of Lenders or otherwise subject to a perfected security interest in favor of Agent for the benefit of Lenders, in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within 13 months from the date of acquisition thereof, (ii) master notes and commercial paper maturing no more than 13 months from the date of creation thereof and for which the issues or issuers currently have the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc., (iii) certificates of deposit maturing no more than 13 months from the date of creation thereof issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than $300,000,000 and having a senior secured rating of "A" or better by a nationally recognized rating agency (an "A Rated Bank"), (iv) time deposits maturing no more than 30 days from the date of creation thereof with A Rated Banks, and (v) reverse purchase agreements covering obligations of the type specified in clause (i) above.

b. Section 6.3(a)(viii) of the Credit Agreement entirety and the following is substituted therefor:

> (viii) unsecured Indebtedness of Itron (including unsecured performance or bid bonds for which Itron may become directly or contingently liable and that are in a form that is customary for Itron's industry) that supports the obligations of any Credit Party and that does not attain a priority over

the Liens granted to Agent, for the benefit of Agent and Lenders, under the Loan Documents,

c. Section 8. 1 (e) of the Credit Agreement is hereby deleted in its entirety and the following is substituted therefor:

(e) A default or breach shall occur under (i) any other agreement, document or instrument (including any performance or bid bond) to which any Credit Party is a party that is not cured within any applicable grace period therefor, and such default or breach (a) involves the failure to make any payment when due or perform any obligation when due, in either case in respect of any Indebtedness (other than the Obligations) of any Credit Party in excess of $250,000 in the aggregate, or (b) causes, or permits any holder of such Indebtedness or a trustee to cause, Indebtedness or a portion thereof in excess of $250,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, regardless of whether such default is waived, or such right is exercised, by such holder or trustee, or (ii) any of the Subordinated Debt Documents that is not cured within any applicable grace period therefor.

d. Clause (c) of the definition of "Indebtedness" in Annex of the Credit Agreement is hereby deleted in its entirety and the following is substituted therefor:

(c) all payment or. performance obligations evidenced by notes, bonds, debentures or similar instruments,

3. Conditions to Effectiveness. The effectiveness of this Amendment satisfaction of each of the following conditions:

(a) receipt by Agent of copies of this Amendment Borrower, each other Credit Party, and Lenders constituting Requisite Lenders;

(b) (i) receipt by Agent of copies of the fully-executed letter agreement by and among each Borrower, each other Credit Party, and GE Capital, as Agent and Lender, pursuant to which Borrowers are acknowledging certain matters with respect to the bank accounts of Itron and UTS, Account Nos. 4375688983 and 4375689015, at Wells Fargo Bank, N.A. ("Wells Fargo"), and (ii) satisfaction of all conditions set forth in such letter agreement; and

(c) the absence of any Defaults or Events of Default as of the date hereof.

4. Entire Agreement. This Amendment, together with the Credit Agreement and the other Loan Documents, is the entire agreement between the parties hereto with respect to the subject matter hereof. This Amendment supersedes all prior and contemporaneous oral and written agreements and discussions with respect to the subject matter hereof.

5. Representations and Warranties. Each of each Borrower and each other Credit Party hereby represents and warrants that the representations and warranties contained in the Credit Agreement were true and correct in all material respects when made and, except to the extent that (a) a particular representation or warranty by its terms expressly applie only to an earlier date or (b) Borrowers or any other Credit Party, as applicable, has previously advised Agent in writing as contemplated under the Credit Agreement, are true and correct in all material respects as of the date hereof.

6. Guarantor Consents. By signing this Amendment, each Guarantor hereby (a) ratifies and reaffirms, as of the date hereof, all of the provisions of that certain Continuing Guaranty dated as of January 18, 2000, in favor of Agent, (b) acknowledges receipt of a copy of this Amendment, and (c) consents to all of the provisions of this Amendment.

7. Miscellaneous.

(a) Counterparts. This Amendment may be executed in identical counterpart copies, each of which shall be an original, but all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.

(b) Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment, and are not to be taken into consideration in interpreting this Amendment.

(c) Recitals. The recitals set forth at the beginning of this Amendment are true and correct, and such recitals are incorporated into and are a part of this Amendment.

(d) Governing Law. This Amendment shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in such state, without regard to the principles thereof regarding conflict of laws.

(e) STATUTE OF FRAUDS. ORAL AGREEMENTS

OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

(f) Effect. Upon the effectiveness of this Amendment, from and after the date hereof, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," or words of like import shall mean and be a reference to the Credit Agreement as amended hereby and each reference in the other Loan Documents to the Credit Agreement, "thereunder," "thereof," or words of like import shall mean and be a reference to the Credit Agreement as amended hereby.

(g) No Novation. Except as expressly provided in Sections 2 and 3 of this Amendment, the execution, delivery, and effectiveness of this Amendment shall not (i) limit, impair, constitute a waiver of, or otherwise affect any right, power, or remedy of Agent or any Lender under the Credit Agreement or any other Loan Document, (ii) constitute a waiver of any provision in the Credit Agreement or in any of the other Loan Documents, or (iii) alter, modify, amend, or in any way affect any of the terms, conditions, obligations, covenants, or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

(h) Conflict of Terms. In the event of any inconsistency between the provisions of this Amendment and any provision of the Credit Agreement, the terms and provisions of this Amendment shall govern and control.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Third Amendment to Credit Agreement has been duly executed as of the date first written above.

ITRON, INC., as a Borrower and a Credit Party

By: /s/ David G. Remington
David G. Remington
Vice President and Chief Financial Officer

UTILITY TRANSLATION SYSTEMS, INC., as a Borrower and a Credit Party

By: /s/ David G. Remington
David G. Remington
Vice President and Chief Financial Officer

ITRON INTERNATIONAL, INC., as a Guarantor and a Credit Party

By: /s/ David G. Remington
David G. Remington
Vice President and Chief Financial Officer

ITRON FINANCE, INC., as a Guarantor and a Credit Party

By: /s/ David G. Remington
David G. Remington
Vice President and Chief Financial Officer

GENERAL ELECTRIC CAPITAL CORPORATION, as Agent and a Lender

By: /s/ Mark Mascia
Mark Mascia
Duly Authorized Signatory

5
1000

9-MOS
DEC-31-2000
SEP-30-2000
19699
0
37655
721
16009
82590
91399
(55288)
165770
37026
0
0
0
109392
56752
165770
134993
134993
82731
45690
(1232)
0
(3453)
4351
(1650)
2701
0
1047
0
3748
.24
.24