

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: CECELIA A. GASSNER

DATE: APRIL 21, 2006

SUBJECT: CASE NOS. AVU-G-06-1 AND AVU-E-06-1; AVISTA CORPORATION'S APPLICATION FOR AN ORDER APPROVING A CORPORATE REORGANIZATION TO CREATE A HOLDING COMPANY, AVA FORMATION CORP.

On February 16, 2006, Avista Corporation ("Avista" or "Company") filed an Application with the Idaho Public Utilities Commission ("Commission") seeking an order for authority to conduct a corporate reorganization and form a holding company to be known as AVA Formation Corp. This Commission has the jurisdiction over such request pursuant to *Idaho Code* § 61-328.

THE APPLICATION

In its Application, Avista has requested an order granting the Company authority to modify its current corporate structure through the establishment of a holding company. The holding company, AVA Formation Corp. (the "Parent Corporation"), would be formed as the parent company of the existing regulated company, Avista Corporation. The Parent Corporation would also be a parent company of Avista Capital, Inc., which would continue to hold non-regulated subsidiaries.

Avista Corporation, doing business as Avista Utilities, is currently the corporate parent. The proposed structure would make Avista Utilities a separate company under the Parent Company and Avista Corporation would no longer exist as an operating entity.

Avista states that due to the recent repeal of the Public Utilities Holding Company Act of 1935 (PUHCA), the Company considers it to be in the best interest of customers and shareholders to change the corporate structure of Avista into a holding company structure. The

Company believes that this reorganization would provide additional protection for ratepayers by “ring fencing” or further separating utility operations from the Company’s other non-regulated businesses.

STAFF RECOMMENDATION

Staff recommends that the Company’s Application be processed by Modified Procedure with a comment period extending June 16, 2006. This should allow sufficient time for interested parties to review the Company’s Application and file their comments with the Commission. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204.


In addition, the Staff recommends that a date for a workshop be established at which time Staff, Company and any interested parties may discuss certain issues concerning this Application. The Staff recommends May 16, 2006 as the date for this workshop. It is Staff’s understanding that the Company is available and is willing to meet on this date.

COMMISSION DECISION

Does the Commission preliminarily find that the public interest may not require a hearing to consider the issues presented in this case, and that this case is appropriate for Modified Procedure pursuant to Commission Rules of Procedure 201 through 204?

Does the Commission approve of the recommended comment period?

Does the Commission approve the Staff’s proposed workshop schedule?



Cecelia A. Gassner

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