

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of)
AVISTA CORPORATION for an Order authorizing)
the offering, issuance and sale of securities)
not to exceed \$62,000,000)

CASE NO. AVU-11-04-01

Application is hereby made to the Idaho Public Utilities Commission under the provisions of Section 61-901 and 61-902, Idaho Code (Laws of 1951, Chapter 143) for an Order authorizing offering, issuance and sale by Avista Corporation (hereinafter called "Applicant") of up to \$62,000,000 of subordinated debentures, with fixed or variable rates, and any refunding, extension, renewal or replacement of any of the foregoing (the "Subordinated Debentures").

The following information and specific exhibits are furnished in support thereof:

(a) Name and address of principal business office:

Avista Corporation
1411 East Mission Avenue
Spokane WA 99202-2600

Name of representative for service:

Diane C. Thoren, Assistant Treasurer

(b) State and date of incorporation:

Incorporated Washington Territory (now the State of Washington) on March 15, 1889. The term of incorporation is perpetual.

States in which qualified to do business:

Washington, Idaho, Montana, Oregon and California.

(c) General description of business, property, and territory served:

The Applicant is a public utility which currently owns and operates property in Eastern Washington, Northern Idaho, Western Montana, Central & Southwest Oregon, and South Lake Tahoe, California.

Applicant is engaged in the generation, transmission, distribution, and sale of electric energy, which it sells at retail to approximately 325,000 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.

Natural gas is distributed and sold to approximately 298,000 residential, commercial and industrial customers in Eastern Washington, Northern Idaho, Central & Southwest Oregon, and South Lake Tahoe, California.

(d) Description of securities, indebtedness or liabilities:

Pursuant to Rule 142 of the Rules of Practice and Procedure, the Applicant hereby Files the application filed with the Washington Utilities and Transportation Commission as Exhibit "D-1" in lieu of the application required by Rule 141. Applicant further states that:

RECEIVED
FILED
2004 FEB 19 AM 9:20
IDAHO PUBLIC UTILITIES COMMISSION

CONFORMED

- (1) Applicant has published or will have published within seven days of the date of filing this Application a notice in those newspapers listed in Rule 24.19 of the Rules of Practice and Procedure of the Idaho Public Utilities Commission that are in general circulation in Applicant's service area.
- (2) The original Trust Originated Preferred Securities, Series A, to be redeemed were issued pursuant a Commission Order No. 26669 approving the authority to issue such securities in Case No. WWP-U-96-1 (November 1, 1996).
- (3) Proposed Order of Applicant is filed herewith as Exhibit "D-2".

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of the request of AVISTA CORPORATION for an order establishing compliance with Chapter 80.08 RCW)	Amended Application
)	Docket No.

Avista Corporation (hereinafter called "Applicant") hereby requests the Washington Utilities and Transportation Commission enter a written order establishing that the proposed offering, issuance and sale by the Applicant of up to \$62,000,000 of subordinated debentures, with fixed or variable rates, is in compliance with the requirements of Chapter 80.08 RCW.

The following information is furnished in support of this application, in accordance with the requirements of RCW 80.08.040:

(1) A Description of the Purposes for Which the Issuance is Made, Including a Certification By an Officer Authorized To Do So That the Proceeds From Any Such Securities Are For One Or More of the Purposes Allowed By Chapter 80.08 RCW.

The Applicant will utilize the proceeds of the proposed debt offering for lawful purposes as outlined in RCW 80.08.030. Specifically, the Applicant will use the proceeds to redeem \$60 million in aggregate outstanding principal amount of the Company's 7.875% Junior Subordinated Deferrable Interest Debentures, Series A, Due 2037 which will, in turn, cause the redemption of the Avista Capital I 7.875% Trust Originated Preferred Securities, Series A. The original Trust Originated Preferred Securities, Series A, to be redeemed were issued pursuant a Commission order establishing compliance with RCW 80.08.040 in Docket No. UE-961211 (October 30, 1996).

The undersigned certifies that she has read the foregoing information with respect to proposed use of funds and knows the contents thereof and that the same are true to the best of her own knowledge or belief.

Done at Spokane, Washington this 18th day of February, 2004.

By: /s/ Diane C. Thoren
Diane C. Thoren
Assistant Treasurer

(2) A Description of the Proposed Issuance Including the Terms of Financing.

The Applicant proposes to offer, issue and sell up to and including \$62,000,000 of Subordinated Debentures. The Subordinated Debentures would be offered, issued and sold to a Delaware statutory trust (the "Trust"), and the Trust would offer, issue and sell Trust Preferred Securities (the "Preferred Securities") to third party investors. The terms of the Subordinated Debentures correspond to those of the Preferred Securities. The Preferred Securities will have a fixed interest rate not to exceed 7% for the first five years, then the Preferred Securities can be redeemed or reissued with either a fixed or floating interest rate. The term of the Subordinated Debentures and the Preferred Securities will be in the range of 30 to 40 years.

Distributions will initially be paid at a rate not to exceed 7% per annum, payable semiannually in arrears, for the period from the date of original issuance of the Preferred Securities, which is expected to be in the next few months, through a five year period. If the Preferred Securities are not redeemed, the Company and the Trust will have the option to remarket the Preferred Securities prior to expiration of the original five-year period to establish a new fixed rate with respect to the Preferred Securities. Any new rate so established will be in effect for such period as the Company and the Trust determine in connection with the remarketing, provided that the period must be for a duration of at least six months. The period may not extend beyond the final maturity of the Subordinated Debentures. Prior to the expiration of any period, the Company and the Trust will have the option to again remarket the Preferred Securities to establish a new rate for a new period.

If the Preferred Securities are not redeemed and if the Company and the Trust elect not to remarket the Preferred Securities prior to expiration of the initial period or any subsequent period, or if they are unable to successfully remarket all Preferred Securities tendered for sale in a remarketing, distributions on the Preferred Securities will thereafter be payable at a variable rate reset quarterly equal to the Initial Credit Spread, plus the adjustable rate, which will be the greater of (i) the 3-month LIBOR Rate; (ii) the 10-year Treasury Rate; or (iii) the 30-year Treasury Rate. A variable rate will be in effect until the Company and the Trust subsequently remarket Preferred Securities to again establish a fixed rate for a new period.

Rating agencies have historically classified similar Subordinated Debentures as preferred securities for balance sheet purposes, while the distributions paid to the special purpose entity (i.e. the Trust) by the Applicant have been considered debt service payments for tax purposes. The payment of distributions on the Preferred Securities are guaranteed by the Applicant under a limited guaranty. The guarantee typically covers accrued and unpaid distributions from the Trust as well as the liquidation value of the securities. The terms of the Subordinated Debentures and the Preferred Securities, and the fixed or floating distribution rate will be negotiated and determined, by market conditions at the time of issuance.

(3) Statement As To Why The Transaction Is In the Public Interest.

The issuance of the requested authority allows the Applicant the maximum flexibility in managing its funds and reducing borrowing costs. The proposed authority would allow the Applicant to better manage its debt and capital in the most efficient and cost effective manner. Accordingly, Applicant believes the requested authority is in the public interest.

(4) Text of a Draft Order Granting Applicant's Request for an Order, Including A Disk Containing the Proposed Language in a Format Acceptable to the Commission.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of the request of)
AVISTA CORPORATION)
for an order establishing compliance)
with Chapter 80.08 RCW)

Docket No. _____

ORDER

On February 18, 2004, Avista Corporation ("Applicant") filed its application before the Washington Utilities and Transportation Commission in this matter for an order establishing that a proposed offering, issuance and sale by the Applicant of up to \$62,000,000 of subordinated debentures with fixed or variable rates, is in compliance with the requirements of Chapter 80.08 RCW.

Background

On February 18, 2004, the Applicant, filed an application with the Commission under the provisions of Chapter 80.08 RCW for an order establishing compliance with the requirements of that statute in connection with the Applicant's proposed offering, issuance and sale of Securities for purposes permitted by law, in forms necessary or convenient to its operations, in a total amount of up to and including \$62,000,000 and for terms which may exceed 364 days.

The Applicant has filed certain information with the Commission as required under RCW 80.08.040 and has requested the Commission to enter an order that the Applicant and the proposed offering, issuance and sale of Securities by the Applicant is in compliance with the requirements of Chapter 80.08 RCW.

FINDINGS

THE COMMISSION FINDS:

1. The Applicant, Avista Corporation, a Washington corporation, is a public service company subject to the jurisdiction of this Commission under the provisions of Chapter 80.08 RCW.
2. As to form, the application herein meets the requirements of Chapter 80.08 RCW and the rules and regulations of the Commission adopted pursuant thereto.
3. The application in this Docket contains (a) a description of the purposes for which the proposed Securities will be issued along with certification by an authorized officer that the proceeds from this financing will be used for the purpose allowed by Chapter 80.08 RCW; (b) a description of the proposed issuance, including the terms of financing; and (c) a statement as to why the proposed transactions are in the public interest.
4. An order finding the application and the proposed offering, issuance and sale of Securities by the Applicant is in compliance with the requirements of Chapter 80.08 RCW should be entered.

ORDER

THE COMMISSION ORDERS:

1. The application filed by Avista Corporation, and the proposed offering, issuance and sale of the Securities by Avista Corporation as described in the application is in compliance with the requirements of Chapter 80.08 RCW.
2. Avista Corporation shall file, as soon as available:
 - a. The Report of Securities Issued required by WAC 480-146-230.
 - b. Verified copies of any agreement entered into in connection with any transaction pursuant to this order.
3. This order shall in no way affect the authority of this Commission over rates, service, accounts, valuations, estimates or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.

DONE at Olympia, Washington, and effective this day of , 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Carole Washburn
Secretary

CONFORMED

Wherefore, the undersigned, an authorized agent of the Applicant, requests that the Washington Utilities and Transportation Commission issue its order affirming that the applicant has complied with the requirements of RCW 80.08.040.

The undersigned certifies, under penalties of perjury as provided in RCW 9A.72.085, that she has read the foregoing application and knows the contents thereof and that the same are true to the best of her own knowledge or belief.

Done at Spokane, Washington this 18th day of February, 2004.

AVISTA CORPORATION

By: /s/ Diane C. Thoren
Diane C. Thoren
Assistant Treasurer

PROPOSED ORDER OF APPLICANT

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of)
AVISTA CORPORATION for an Order authorizing)
the offering, issuance and sale of securities)
not to exceed \$62,000,000)

CASE NO. _____

ORDER NO. _____

On February 18, 2004, Avista Corporation (hereinafter called "Applicant") filed an Application with the Idaho Public Utilities Commission for an Order authorizing the offering, issuance and sale by the Applicant of up to \$62,000,000 of subordinated debentures, with fixed or variable rates, and any refunding, extension, renewal or replacement of any of the foregoing (the "Subordinated Debentures").

The Commission, having fully considered the Application and exhibits attached thereto, and all of the Commission's files and records pertaining to this Application, now makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

Avista Corporation is a Washington corporation qualified to do business within the State of Idaho. The Applicant is a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy and the purchase, distribution and sale of natural gas.

The Applicant proposes to receive authorization to offer, issue and sell certain subordinated debentures, with fixed or variable rates, and any refunding, extension, renewal or replacement of any of the foregoing (the "Subordinated Debentures").

The net proceeds will be used for (a) the improvement or maintenance of its service; (b) the discharge or lawful refunding of its obligations; (c) the reimbursement of moneys actually expended for said purposes from income or from other moneys in the treasury not secured by or obtained from the issue, assumption or guarantee of securities; or (d) any other purpose approved by the commission or authorized by law.

No person has received or will be entitled to receive from the Applicant any fee (1) for services in connection with the consummation of the issuance and sale of the above-referenced securities, other than fees for underwriting, legal, accounting or similar professional or technical services, or (2) for services in securing underwriters, sellers or purchasers of the securities.

CONCLUSIONS OF LAW

The Applicant is an electric corporation within the definition of Idaho Code § 61-119 and a public utility within the definition of Idaho Code § 61-129.

The Idaho Public Utilities Commission has jurisdiction over this application pursuant to the provisions of *Idaho Code* § 61-901 et seq., and the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure (IDAPA 31.01.01.141-150).

The proposed offering, issuance and sale of the Subordinated Debentures is for a lawful purpose and are within Applicant's corporate powers. The proposed transaction is in the public interest, and a formal hearing on this matter would serve no public purpose.

All lawful fees have been paid by Applicant as provided by *Idaho Code* § 61-905.

ORDER

IT IS THEREFORE ORDERED that Avista Corporation be, and the same hereby is, authorized to offer issue and sell the Subordinated Debentures as described in the application.

IT IS FURTHER ORDERED that the Applicant is hereby authorized to issue the Subordinated Debentures in the manner and for the purposes described in the application with continuing authority to refund, extend, renew or replace the same without further order of the Commission, provided that the fees, interest rates and expenses charged or incurred in connection with any transactions entered into under the authority of this order, and any refunding, extension, renewal or replacement thereof, are competitive with then-existing market prices for similar transactions.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of the Commission with respect to rates, utility capital structure, service, accounts, valuation, estimates or determination of costs or any other matter which may come before this Commission pursuant to its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provisions of Chapter 9, Title 61, *Idaho Code*, or any act or deed done or performed in connection therewith shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of Chapter 9, Title 61, *Idaho Code*.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of the Applicant's exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

CONFORMED

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this _____ day of _____, 2004.

DENNIS S. HANSEN, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

PAUL KJELLANDER, COMMISSIONER

ATTEST:

Myrna J. Walters
Commission Secretary

WHEREFORE, the Applicant respectfully requests the Idaho Public Utilities Commission for an Order authorizing Avista Corporation (hereinafter called "Applicant") to issue up to and including \$62,000,000 of the Subordinated Debentures.

Dated to Spokane, Washington, this 18th day of February, 2004.

AVISTA CORPORATION

By /s/ Diane C. Thoren
Diane C. Thoren, Assistant Treasurer

STATE OF WASHINGTON)
)
County of Spokane)

Diane C. Thoren, being duly sworn, under penalty of perjury deposes and says: That she is Assistant Treasurer of AVISTA CORPORATION; that she has read the foregoing application and knows the contents thereof; and that the same is true of her own knowledge and belief, and as to those matters she believes them to be true.

/s/ Diane C. Thoren
Diane C. Thoren, Assistant Treasurer

SUBSCRIBED AND SWORN to before me this
18th day of February, 2004.

Notary Public for Washington