

Avista Corp.
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Spokane, Washington 99220-3727
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IDaho PUBLIC UTILITIES COMMISSION



Corp.

April 9, 2004

State of Idaho
Idaho Public Utilities Commission
Statehouse
Boise ID 83720

Attention: Myrna Walters, Secretary

AVU-04-02

Transmitted herewith are one executed and two conformed copies of an application for approval of security issuance. If other applicable data or documents become available, they will be forwarded to your attention. Also enclosed is a diskette containing a proposed order. A check in the amount of \$1,000.00, the maximum fee will come under separate cover.

The Company requests to receive an Order of Approval from the Commission by May 10, 2004. When complete, please send two (2) executed copies of the Order of Approval to:

Diane C. Thoren
Assistant Treasurer
Avista Corporation
East 1411 Mission Avenue
Spokane WA 99202-2600

If any questions arise or additional information is needed, please do not hesitate to contact Paul Kimball at 509-495-4584.

Sincerely,

Diane Thoren
Assistant Treasurer

Enclosures

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 Debt)
Securities not to exceed \$250,000,000 and not more)
than 3,000,000 shares of Common Stock)

CASE NO. AVU-U-04-02

Application is hereby made to the Idaho Public Utilities Commission under the provisions of Sections 61-901 and 61-902, Idaho Code (Laws of 1951, Chapter 143) and Rules 141 through 150 of the Commission's Rules of Procedure, IDAPA 31.01.141-150, for an Order authorizing offering, issuance and sale by Avista Corporation (hereinafter called "Applicant") of up to \$250,000,000 of unsecured, fixed or floating rate bonds, notes and other evidences of indebtedness, which may be convertible into or exchangeable for shares of Applicant's common stock, and up to and including 3,000,000 shares of the Applicant's common stock, including, without limitation, any refunding, extension, renewal or replacement of any of the foregoing (the "Securities").

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, governmental agencies and others.

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 Commission's 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:

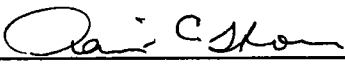
- (1) Applicant has published or will have published within seven days of the date of filing this Application a notice in those newspapers listed in Rule 24.19 of the Rules of Practice and Procedure of the Idaho Public Utilities Commission that are in general circulation in Applicant's service area.
- (2) Proposed Order of Applicant is filed herewith as Exhibit "D-2".

expended from income or from the treasury of the Applicant to the extent permitted by RCW 80.08.030, or (e) for other purposes permitted by law.

The Applicant will utilize the proceeds of the proposed debt offering for lawful purposes as outlined in RCW 80.08.030. Specifically, the Applicant's capital expenditure program requires a combination of internally generated cash and external financing. In addition, the Applicant has \$28.5 million of debt maturities in the next 9 months beginning in March 2004 that must be refinanced. The Applicant anticipates using the proceeds from the issuance of the Securities to refinance debt maturities and to repay funds borrowed under its corporate credit facility. The Applicant's capital expenditure program is initially funded under its corporate credit facility. Capital expenditures are expected to be \$110 million and \$120 million in 2004 and 2005, respectively.

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 9th day of April, 2004.

By: 
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 the Securities for purposes authorized by law, in forms necessary or convenient to its operations. In the case of debt securities, propose to issue a total amount of up to and including \$250,000,000 and for terms which

may exceed 364 days, and in the case of common stock, Applicant proposes to issue a total amount of up to and including 3,000,000 shares of Applicant's common stock. While no specific transactions are presently pending under the proposed authority, Applicant will only enter into transactions where the fees, interest rates and expenses charged or incurred by Applicant in connection with the transactions, and any refunding, extensions, renewals or replacements thereof, are competitive with then-existing market prices for similar transactions.

Debt Securities: Debt securities may be issued in one or more series (or tranches within a series), unsecured, long-term or short-term, bearing interest at fixed and/or variable rates, and offered and sold by public offering and/or private placement, all as indicated by market conditions prevailing from time to time. In addition, the debt securities may be convertible into or exchangeable for shares of Applicant's authorized and unissued common stock, as indicated by market conditions prevailing from time to time.

Debt securities may be sold to underwriters or through agents who in turn will offer the debt securities to investors, or may be sold directly to investors either with or without the assistance of a private placement agent (including placement agents who market the debt securities on a reasonable effort basis). Debt securities may be registered under the federal securities laws and may be listed on a securities exchange. Debt Securities may be issued as part of a program on a continuous or periodic basis. Early redemption or callable provisions will be determined at the time of issuance as indicated by market conditions prevailing at such time.

If debt securities are sold through a placement agent, at least two agents will be used to ensure competitive pricing. Based on market conditions prevailing at such time and in consultation with the placement agents, Applicant will determine the interest rates

and/or interest rate formulas at which it would be willing to issue debt securities of various maturities.

Market conditions change rapidly and continuously, and Applicant requests the flexibility to issue debt securities that have not been specifically described herein, albeit within the dollar limits herein requested. No later than the date of issuance, Applicant will notify the Commission, by letter, of the nature of any such other types of debt securities it has issued pursuant to the authority requested under this Application.

In all series' issuances, the terms for the sale of each series will be determined at the time of issuance, and underwriters, agents, or other purchasers will be selected at that time. The terms for the issuance and sale of each series and the names of the underwriters, agents, or other purchasers will be supplied to the Commission at the time of issuance. Applicant will use commercially reasonable efforts to comply with all deadlines and otherwise provide such information to the Commission on a timely basis, but the Commission's approval of this offer, issuance, and sale of Securities cannot be contingent on such filings. Applicant acknowledges, however, that, for ratemaking purposes, the Commission shall reserve judgment on the reasonableness of Applicant's capital costs, capital structure, and associated commissions and expenses incurred for security issuances.

If debt securities are convertible into or exchangeable for shares of Applicant's common stock under certain circumstances, the conversion or exchange circumstances and the amount and price of the conversion or exchange will be negotiated at the time of the offering.

Common Stock: Applicant may offer from time to time up to 3,000,000 shares of its common stock for various corporate purposes, including shares of common stock for which any of the foregoing debt securities may be convertible or exchangeable. Outstanding shares of Applicant's common stock are listed on the New York Stock Exchange and the Pacific Stock Exchanges under ticker symbol AVA. The shares offered hereby will be listed, subject to notice of issuance, on such exchanges. The reported last sale price of the common stock on the New York Stock Exchange on March 25, 2004 was \$18.19 per share.

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

The issuance of the requested authority allows Applicant the maximum flexibility in managing its funds and reducing borrowing costs. The proposed authority would allow 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.

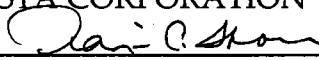
See attached proposed order

Wherefore, the undersigned, an authorized agent of Applicant, requests that the Washington Utilities and Transportation Commission issue its order affirming that 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 9th day of April, 2004.

AVISTA CORPORATION

By: 

Diane C. Thoren
Assistant Treasurer

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

Avista,

Petitioner,

DOCKET NO. UE-

ORDER NO.

For an Order Establishing
Compliance with RCW 80.08.040,
with Respect to its Proposal to sell
Securities up to \$250,000,000 and not
more than 3,000,000 shares of
Common Stock.

ORDER ESTABLISHING
COMPLIANCE WITH RCW
80.08.040

.....

BACKGROUND

1 On April 9, 2004, Avista Corporation (Avista or the Company) filed a statement of its plan to issue securities with the Washington Utilities and Transportation Commission (Commission). The Company requested an order affirming that the Company has complied with the requirements of RCW 80.08.040.

DISCUSSION

2 In its application, the Company proposes to offer, issuance and sale up to and including \$250,000,000 of unsecured, fixed or floating rate bonds, notes and other evidences of indebtedness, which may be convertible into or exchangeable for shares of the Company's common stock, and up to and including 3,000,000 shares of the Company's common stock, including, without limitation, any refunding, extension, renewal or replacement of any of the foregoing (the "Securities"). The application is filed pursuant to Chapter 80.08 RCW and the requirements of WAC 480-146-290.

3 According to the application and supporting materials filed by the Company, the proceeds of the financing are for one or more of the purposes allowed by RCW 80.08.030.

Specifically, the Company's capital expenditure program requires a combination of internally generated cash and external financing. In addition, the Company has \$28.5 million of debt maturities in the next 9 months beginning in March 2004 that must be refinanced. The Company anticipates using the proceeds from the issuance of the Securities to refinance debt maturities and to repay funds borrowed under its corporate credit facility. The Company's capital expenditure program is initially funded under its corporate credit facility. Capital expenditures are expected to be \$110 million and \$120 million in 2004 and 2005, respectively.

- 4 The debt securities may be sold to underwriters or through agents who in turn will offer the debt securities to investors, or may be sold directly to investors either with or without the assistance of a private placement agent.
- 5 In all series' issuances, the terms for the sale of each series will be determined at the time of issuance, and underwriters, agents, or other purchasers will be selected at that time. The terms for the issuance and sale of each series and the names of the underwriters, agents, or other purchasers will be supplied to the Commission at the time of issuance
- 6 In its application, the Company states that the requested authority allows greater flexibility in managing its source of external funds in order to achieve lower financing costs. Since this enables the Company to manage its debt and capital structure in a more efficient manner, the Company asserts that its request is in the public interest.

FINDINGS

- 7 (1) Avista is engaged in the business of electric service within the state of Washington. As a public service company, it is subject to the jurisdiction of the Commission under the provisions of Chapter 80.08 RCW.
- 8 (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. *Chapter 480-146 WAC.*

9 (3) This matter was brought before the Commission at its regularly scheduled meeting on May 12, 2004.

10 (4) The Company's application in this Docket contains: (a) a certification by an authorized officer that the proceeds will be used for one or more purposes allowed by RCW 80.08.030; (b) a description of the proposed issuance, including the terms of financing, and (c) a statement as to why the proposed transaction[s] is in the public interest.

ORDER

THE COMMISSION ORDERS:

11 (1) Avista Corporation has complied with the requirements of RCW 80.08.040 with respect to the proposals set forth in its application to sell up to and including \$250,000,000 of debt securities, which may be convertible into or exchangeable for share of the Company's common stock, and up to and including 3,000,000 share of the Company's common stock.

12 (2) The Company is directed to file a Report of Securities Issued as required by WAC 480-146-340. The Company is also required to file verified copies of any agreement entered into in connection with any transaction pursuant to this Order. Finally, the Company shall file a verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this Order.

13 (3) This Order shall in no way affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.

The Commissioners, having determined this filing complies with the requirements of Chapter 80.08 RCW, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective this 12th day of May, 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary

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 Debt)
 Securities not to exceed \$250,000,000 and not more)
than 3,000,000 shares of Common Stock)

CASE NO. _____

ORDER NO. _____

On April 9, 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 \$250,000,000 of unsecured, fixed or floating rate bonds, notes and other evidences of indebtedness, which may be convertible into or exchangeable for shares of Applicant's common stock, and up to and including 3,000,000 shares of Applicant's common stock, including, without limitation, any refunding, extension, renewal or replacement of any of the foregoing (the "Securities").

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

Applicant 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 the Securities , including, without limitation, any refunding, extension, renewal or replacement of any of the Securities.

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, private placement, 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 Commission finds that Applicant is a gas corporation within the definition of definition of Idaho Code § 61-117, an electric corporation within the definition of Idaho Code § 61-119, and a public utility within the definition of Idaho Code § 61-129. Therefore, the Commission has jurisdiction over this Application pursuant to the provisions of Idaho Code § 61-901 et seq. The Commission further finds that the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure, IDAPA 31.01.141-150.

The Commission finds that the proposed issuance is for a lawful purpose and is within Applicant's corporate powers. However, this is only a general approval and is not a finding of fact or a conclusion of law that the particular use to which these funds are to be put is approved by this Order. The issuance of an Order authorizing the proposed issuance does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes. The Commission does not have before it for determination in this case and, therefore, does not determine the effect of issuance on rates to be charged by Applicant for gas or electric service to consumers in the State of Idaho. The Commission further finds that the proposed transaction is in the public interest and a formal hearing on this matter would serve no public purpose. Applicant has paid all lawful fees as provided by Idaho Code § 61-905.

ORDER

IT IS HEREBY ORDERED that Applicant be, and the same hereby is, authorized to offer, issue and sell up to and including \$250,000,000 in debt securities, which may be convertible into or exchangeable for shares of Applicant's common stock, and up to and including 3,000,000 shares of Applicant's common stock, all as described in the Application filed on April 9, 2004.

IT IS FURTHER ORDERED that Applicant is hereby authorized to issue the Securities 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 market prices for similar transactions.

IT IS FURTHER ORDERED that Applicant shall file the terms of the proposed issuance(s) of the Securities and any subsequent changes to the terms with Staff upon issuance. This informational filing should be made seven (7) days, or as soon as possible, prior to the issuance.

IT IS FURTHER ORDERED that Applicant shall file, as soon as they become available and update when changes occur, the following:

- (a) The "Report of Securities Issued"; and
- (b) Verified copies of any Agreement entered into pursuant to this Order.

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 for determination of cost 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 payor 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 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 (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. A VU- -may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. A VU- - Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See Idaho Code § 61-626.

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

PAUK KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, OMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

