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IDAHO PUBLIC
UTILITIES COMMISSION

November 12, 2004

State of Idaho
Idaho Public Utilities Commission
Statehouse
Boise ID 83720

Attention: Myrna Walters, Secretary

AVU-U-04-03

Case No. WWP-U-97-1 & AVU-U-01-3

RE: Revised petition to modify existing orders

Transmitted herewith are one executed of a revised petition to modify existing orders 27153 and 28899. The revised petition contains as much information as is presently known. If other applicable data or documents become available, they will be forwarded to your attention.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Diane Thoren".

Diane C. Thoren
Assistant Treasurer

Enclosures

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of AVISTA CORP.)
for an Order modifying existing authority)
to allow the issuance of secured obligations in)
connection with certain \$88,850,000 unsecured)
medium-term notes currently outstanding and)
certain unsecured obligations related to certain)
\$83,700,000 tax-exempt debt securities)
_____)

CASE NO. WWP-U-97-1
and CASE NO. AVU-U-01-3
Revised November 12, 2004

PETITION TO MODIFY EXISTING AUTHORITY

Avista Corporation (the Applicant) requests authorization from the Idaho Public Utilities Commission (the Commission) to modify the authority contained in Order No. 27153 issued in Case No. WWP-U-97-1 and in Order No. 28899 issued in Case No. AVU-U-01-3. Specifically, the Applicant proposes to issue secured obligations (i.e. first mortgage bonds issued under the Applicant's Mortgage and Deed of Trust, dated as of June 1, 1939) to the trustee for holders of the Applicant's Medium-Term Notes, Series C, issued under Order No. 27153 (the Series C Notes), and initially to the bond insurer, but ultimately to the trustee for the benefit of holders, of those certain City of Forsyth, Montana, Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) Series 1999A and Series 1999B, issued under Order No. 28899 (the Colstrip Pollution Control Bonds).

I. INTRODUCTION

In October 1997, the Applicant received approval from the Commission to issue up to \$250,000,000 of debt securities (and to refinance \$85,000,000 of securities related to certain tax-exempt debt securities, which was later supplemented by the authority granted in Order No. 28899) . The Applicant issued \$109,000,000 of Series C Notes under the authority granted in Order No. 27153. \$88,850,000 of Series C Notes are presently outstanding. The Series C Notes are unsecured obligations of the Applicant. Certain provisions of the Series C Notes limit the amount of secured debt the Applicant can issue, unless the Applicant secures the Series C Notes.

In November 2001, the Applicant received approval from the Commission to issue up to \$83,700,000 of securities in connection with the refunding of certain pollution control bonds issued by the City of Forsyth, Montana, the proceeds of which had been loaned to the Applicant. The Applicant issued \$83,700,000 of securities related to the Colstrip Pollution Control Bonds under the authority granted in Order No. 28899. \$83,700,000 of Colstrip Pollution Control Bonds are presently outstanding. The securities issued by the Applicant related to the Colstrip Pollution Control Bonds are unsecured obligations of the Applicant. Conditions in the bond insurance agreement, pursuant to which bond insurance policies for the Colstrip Pollution Control Bonds were issued, similarly limit the amount of secured debt the Applicant can issue, unless the Applicant secures its obligations related to the Colstrip Pollution Control Bonds.

Recent developments in the financial markets have offered the Applicant several favorable opportunities, which involve the issuance of additional secured debt that would otherwise violate the restrictions contained in the Series C Notes and in the bond insurance agreement for the Colstrip Pollution Control Bonds. In light of these opportunities, the Applicant believes that it is necessary to secure both the Series C Notes and its obligations related to the Colstrip Pollution Control Bonds in order to remove the restrictions on the Applicant's issuance of additional secured debt. Removal of these negative covenants will provide the Applicant more flexibility on issuing debt, will enable the Applicant to restructure its credit facility on more favorable terms and at competitive rates, and will allow the Applicant to better manage its debt. The Applicant expects that these opportunities will allow the Applicant to reduce its overall costs and expenses related to its credit facilities and borrowings.

Because of the anticipated time schedule and steps necessary to secure its obligations related to the Colstrip Pollution Control Bonds by delivery of its first mortgage bonds to the trustee for the holders of such bonds, Applicant believes that it would be prudent, as an initial interim step, to deliver first mortgage bonds directly to the bond insurer. This interim step will operate to eliminate the negative covenant contained in the bond insurance agreement until such time as Applicant is able to deliver its first mortgage bonds to the trustee for the benefit of the holders of the Colstrip Pollution Control Bonds. In this way, Applicant hopes to pursue the present financial market opportunities referred to above, while Applicant works to satisfy the necessary steps for delivery of first mortgage bonds to the trustee for the

holders of the Colstrip Pollution Control Bonds. Any first mortgage bonds delivered to the bond insurer would be returned and surrendered upon the issuance and delivery of first mortgage bonds to the trustee for the benefit of the holders of such bonds.

The Applicant is now requesting modification of the Commission's Orders as described below.

II. PROPOSED MODIFICATIONS

The Applicant is requesting that Order No. 27153 and Order No. 28899 be modified to allow the Applicant to issue secured obligations (i.e. first mortgage bonds issued under the Applicant's Mortgage and Deed of Trust, dated as of June 1, 1939) in order to remove the negative covenants contained in the conditions of the Series C Notes and the bond insurance agreement for the Colstrip Pollution Control Bonds. The requested authority will not increase the amount of debt outstanding under either the Series C Notes or the Colstrip Pollution Control Bonds. The issuance of additional secured obligations will only operate to convert the Applicant's obligations under the Series C Notes and the Colstrip Pollution Control Bonds from unsecured obligations to secured obligations. The Applicant anticipates that its secured obligations will be issued (i) in the case of the Series C Notes, to the trustee for benefit of holders of the Series C Notes, and (ii) in the case of the Colstrip Pollution Control Bonds, initially to the bond insurer under the bond insurance agreement for the Colstrip Pollution Control Bonds, but ultimately to the trustee for the benefit of holders of the Colstrip Pollution Control Bonds.

III. RELIEF REQUESTED

The Applicant respectfully requests that the Commission grant this petition, ex parte:

(A) Modifying Order No. 27153 and Order No. 28899 to allow the Applicant to issued secured obligations in order to remove the negative covenants contained in the conditions of the Series C Notes and the bond insurance agreement for the Colstrip Pollution Control Bonds; and

(B) Providing that the authority granted in such decision or order will be effective at the earliest date permitted by law.

Dated at Spokane, Washington, this 12th day of November 2004.

Respectfully submitted,
AVISTA CORPORATION



Diane C. Thoren
Assistant Treasurer