

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
AVISTA CORP. FOR AN ORDER MODIFYING)	CASE NO. AVU-U-04-3
EXISTING AUTHORITY TO ALLOW THE)	
ISSUANCE OF SECURED OBLIGATIONS IN)	
CONNECTION WITH CERTAIN \$88,850,000)	
UNSECURED MEDIUM-TERM NOTES)	ORDER NO. 29643
CURRENTLY OUTSTANDING AND CERTAIN)	
UNSECURED OBLIGATIONS RELATED TO)	
CERTAIN \$83,700,000 TAX-EXEMPT DEBT)	
<u>SECURITIES</u>)	

On November 12, 2004, Avista Corporation filed a revised Application to modify two previous Commission Orders authorizing the Company's issuance of debt securities. Order No. 27153 issued in Case No. WWP-U-97-1 and Order No. 28899 issued in Case No. AVU-U-01-3, authorized Avista's issuance of certain unsecured debt securities. Pursuant to authority granted to it in Order No. 27153, Avista issued Series C Medium-Term Notes, and under its authority granted in Order No. 28899, Avista issued securities in connection with the refunding of Colstrip Pollution Control Bonds issued by the City of Forsythe, Montana. Provisions of the Series C Notes and the conditions in the bond insurance agreement currently limit the amount of secured debt Avista can issue. By its Application to modify the previous Orders, Avista proposes to secure these debt obligations after receiving approval from the Commission to remove the negative covenants restricting the issuance of additional secured debt. Specifically, Avista proposes to issue secured obligations (i.e. first mortgage bonds issued under Avista's Mortgage and Deed of Trust, dated as of June 1, 1939) to the trustee for holders of Avista'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).

ORDER NO. 27153 APPROVING SERIES C NOTES

In October 1997, Avista 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). Avista 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 Avista. Certain provisions of the Series C Notes limit the amount of secured debt Avista can issue, unless it secures the Series C Notes.

ORDER NO. 28899 AUTHORIZING COLSTRIP POLLUTION CONTROL BONDS

In November 2001, Avista 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 Avista. Avista 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 Avista related to the Colstrip Pollution Control Bonds are unsecured obligations of Avista. 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 Avista can issue, unless it secures its obligations related to the Colstrip Pollution Control Bonds.

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, Avista 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 Avista 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, Avista hopes to pursue the present financial market opportunities, while it 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.

Based on the record in this case, the Commission finds it prudent and reasonable to modify Order No. 28899 issued in Case No. AVU-U-01-3 and Order No. 27153 issued in Case No. WWP-U-97-1 as requested by Avista. Accordingly, this Order is issued to amend the previous Orders to allow Avista to issue secured obligations and remove the negative covenants contained in the conditions of the Series C Notes and the bond insurance agreement for the Colstrip Pollution Control Bond.

ORDER

IT IS HEREBY ORDERED that Order No. 28899 issued in Case No. AVU-U-01-3 and Order No. 27153 issued in Case No. WWP-U-97-1 are amended to allow Avista Corporation to issue secured obligations (i.e., first mortgage bonds issued under the Applicants 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 of the Colstrip Pollution Control Bonds.

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. AVU-U-04-3 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. AVU-U-04-3. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

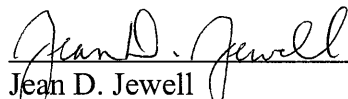
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29th
day of November 2003.


PAUL KJELLANDER, PRESIDENT

Out of the Office on this Date
MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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