

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION FOR AN) **CASE NO. AVU-U-05-1**
ORDER AUTHORIZING THE OFFERING,)
ISSUANCE AND SALE OF SECURITIES) **ORDER NO. 29896**
NOT TO EXCEED \$100,000,000)

On September 21, 2005, Avista Corporation (Avista) filed an Application requesting authority to offer, issue and sell up to and including \$100,000,000 of secured or unsecured, fixed or floating rate bonds, notes or other form of indebtedness. According to Avista's Application, the proceeds will be used for the following purposes: (a) acquisition of property, or the construction, completion, extension, or improvement of facilities; (b) the improvement or maintenance of service; (c) the issuance of stock dividends; (d) the discharge or refunding of its obligations; or (e) the discharge or reimbursement of treasury for expenditures permitted by law. More specifically, Avista expects to refinance \$50 million of debt maturities due over the 12-month period beginning November 2005 and \$56 million associated with the Rathdrum generating facility lease.

The interest rate, depending on market conditions at the time of issuance, is expected not to exceed 7%. The term of the security(ies) is expected to be 10 to 40 years. Avista also requests authority to refund, extend, renew or replace the proposed security(ies) to allow the greatest flexibility.

The proposed issuance and redemptions provide an opportunity for Avista to reduce borrowing costs and to increase flexibility with future refinance options. Staff recommended approval of the requested debt authority, but believed the stated possible purposes for use of the proceeds is too broad. Although use of the proceeds to refund \$50 million debt on the 12-month period beginning November 2005 and the funding of costs associated with the Rathdrum generation facility are reasonable, Staff recommended the authority not be approved for purposes of funding the issuance of stock dividends or annual maintenance expenses.

Staff recommended Avista be required to file an annual status report with the Commission showing all actual and proposed activity with this authority and to meet annually with Staff to discuss Avista's current financing status. Staff also recommended that Avista be

required to file term sheets prior to refunding, extending, renewing or replacing the proposed security(ies) as a condition that the authority under this initial approval be continuing.

Avista will file information pertaining to the types of issuances to be made and the expected terms as soon as practical prior to the issue, but no later than the date of issuance. Avista will file all final documents from the issuances with the Commission. Avista acknowledges that for ratemaking purposes, the determination of capital costs, capital structure and any associated ratemaking decision is reserved for the appropriate proceeding.

FINDINGS OF FACT

Avista Corporation is a Washington corporation qualified to do business within the State of Idaho. Avista 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 Company proposes to receive authorization to offer, issue and sell certain secured or unsecured bonds, notes and other evidences of indebtedness, including without limitation, assumption of any obligation or liability as guarantor, endorser, surety or otherwise in respect to the securities of any other person, firm, corporation, or affiliate of the Company, and any refunding, extension, renewal or replacement of any of the foregoing (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 Company any fee (1) for services in connection with the consummation of the issuance and sale of the above-referenced securities other than fees for legal, accounting or similar professional or technical services, or (2) for services in securing underwriters, sellers or purchasers of the securities.

CONCLUSIONS OF LAW

Avista 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 matter pursuant to *Idaho Code* § 61-901 *et seq.* and Commission Procedural Rules 141-150. IDAPA 31.01.01.141-.150.

The proposed offering, issuance and sale of the Securities is for a lawful purpose and is within the Company's corporate powers. A formal hearing on this matter is not required.

All fees required by *Idaho Code* § 61-905 have been paid by the Company.

ORDER

IT IS HEREBY ORDERED that Avista Corporation be, and the same hereby is, authorized to offer, issue and sell the Securities as described in the Application. Avista shall file annual status reports with the Commission showing all actual and proposed activity with the authority granted with this Order and to meet annually with Staff to discuss Avista's current financing status. Avista shall also file term sheets prior to refunding, extending, renewing or replacing the proposed security(ies).

IT IS FURTHER ORDERED that Avista 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 the 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 the Commission pursuant to its jurisdiction and authority as provided by law.


IT IS FURTHER ORDERED that nothing in this Order and no provisions of Title 61, Chapter 9, 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 Title 61, Chapter 9, Idaho Code.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of Avista'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.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 20th day of October 2005.



PAUL KJELLANDER, PRESIDENT

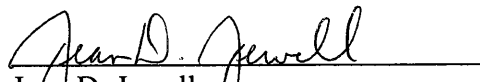


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

bls/O:AVU-U-05-01_ws