

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: MAY 2, 2006

**RE: IN THE MATTER OF AVISTA CORPORATION'S APPLICATION FOR
AUTHORITY TO ISSUE OF UP TO 5,000,000 SHARES OF AUTHORIZED
BUT UNISSUED COMMON STOCK; CASE NO. AVU-U-06-1.**

On April 7, 2006, Avista Corporation (Avista) applied for authority to offer, issue and sell up to 5,000,000 shares of authorized but unissued Common Stock, without par value, ("Common Stock") under one or more methods, the periodic offering program, direct sales or underwritten transactions. The requested authority is in addition to the existing authority granted in Order No. 29947, Case No. AVU-U-05-2 on January 10, 2006 for 2,000,000 shares.

The proceeds will be used for one or more of the following purposes: (a) the improvement or maintenance of service, (b) the discharge or refunding of its obligations, (c) the reimbursement of moneys actually expended from income or from the treasury of Avista to the extent permitted, or (d) other purposes approved by the Commission or permitted by law.

Shares issued and sold under the periodic offering program will be subject to the following pricing limitations: the price received by Avista, before agent commission, will not be less than \$0.25 below the last price at which Avista's Common Stock was reported in the record of composite quotations published in the Wall Street Journal on the trading day immediately preceding the day for the fixing of such price, and will also not be less than 100% of the book value per share of Avista's Common Stock as of the last day of the most recently ended calendar quarter. Shares sold under direct sales and underwritten transactions will be based on current market conditions.

The issuance will allow Avista the flexibility to issue authorized but unissued shares of Common Stock to more effectively improve the common equity ratio of its capital structure,

strengthen its balance sheet and reduce costs associated with issuing stock through underwritings. This authority will provide flexibility to finance the anticipated capital expenditure program of \$450 million over the next three years. It also allows flexibility to fund debt and preferred stock maturities exceeding \$550 million over the same time period.

STAFF RECOMMENDATION

The proposed methods of Common Stock issuance provides an opportunity for Avista to reduce underwriting costs and provides flexibility in meeting its financing requirements. Staff recommends approval of the requested Common Stock issuance authority. Consistent with Order No. 29947 in Case No. AVU-U-05-2, Staff also recommends that Avista be required to file status reports with the Commission reflecting pertinent quarterly financial information to include the following: (a) Debt to Equity Ratio, (b) Enterprise Value, (c) Net Income Available to Common Stock, and (d) Common Shares Outstanding.

COMMISSION DECISION

Does the Commission accept Staff's recommendations to:

1. Approve Avista's request to issue up to 5,000,000 shares of authorized but unissued Common Stock, without par value.
2. Approve Staff's recommended additional filing requirements.


Terri Carlock

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