

**Avista Corp.**

1411 East Mission PO Box 3727  
Spokane, Washington 99220-3727  
Telephone 509-489-0500  
Toll Free 800-727-9170

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IDAHO PUBLIC  
UTILITIES COMMISSION

October 8, 2008

State of Idaho  
Idaho Public Utilities Commission  
Statehouse  
Boise ID 83720

AVU-U-08-02

Attention: Jean D. Jewell, Secretary

Transmitted herewith are one executed and two conformed copies of an application for approval of security issuance. The application contains as much information as is presently known. If other applicable data or documents become available, they will be forwarded to your attention. A check in the amount of \$1,000.00, the maximum fee is coming under separate cover.

The Company requests to receive an Order of Approval from the Commission by November 4, 2008. When complete, please send one (1) 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,

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

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 \$150,000,000 )

CASE NO. AVU-U-08-02

Application is hereby made to the Idaho Public Utilities Commission under the provisions of Section 61-901 and 61-902, Idaho Code (Laws of 1951, Chapter 143) for an Order authorizing offering, issuance and sale by Avista Corporation (hereinafter called "Applicant") of up to \$150,000,000 of secured debt arrangements.

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, and Oregon.

(c) General description of business, property, and territory served:

The Applicant is a public utility which owns and operates property in Eastern Washington, Northern Idaho, Western Montana, Central & Southwest Oregon.

Applicant is engaged in the generation, transmission, distribution, and sale of electric energy, which it sells at retail to approximately 352,000 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 and governmental agencies.

Natural gas is distributed and sold to approximately 311,000 residential, commercial and industrial customers in Eastern Washington, Northern Idaho, and Central & Southwest Oregon.

(d) Description of securities, indebtedness or liabilities:

Pursuant to Rule 142 of the Rules of Practice and Procedure, the Applicant hereby Files the application filed with the Oregon Public Utilities 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 141.08 of the Rules of Practice and Procedure of the Idaho Public Utilities Commission that are in general circulation in Applicant's service area.

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IDAHO PUBLIC UTILITIES COMMISSION

BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

|   |                               |
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| In the matter of the request of )<br>AVISTA CORPORATION )<br>for an order establishing compliance )<br>with Chapter 80.08 RCW ) | Application<br><br>Docket No. |
|---|-------------------------------|

Avista Corporation (hereinafter called "Applicant") hereby requests the Washington Utilities and Transportation Commission to enter a written order authorizing that the proposed offering, issuance and sale by the Applicant of up to \$150,000,000 of various secured debt arrangements ("Securities") in compliance with the requirements of Chapter 80.08 RCW.

The following information is furnished in support of this application, in accordance with the requirements of RCW 80.08.040:

**(1) A Description of the Purposes for Which the Issuance is Made, Including a Certification By an Officer Authorized To Do So That the Proceeds From Any Such Securities Are For One Or More of the Purposes Allowed By Chapter 80.08 RCW.**

The Applicant will use the funds from the proposed Securities for one or more of the following purposes: (a) The acquisition of property, or the construction, completion, extension, or improvement of its facilities, or (b) the improvement or maintenance of service, or (c) the issuance of stock dividends, or (d) the discharge or refunding of its obligations, or (e) the reimbursement of moneys actually expended from income or from the treasury of the Applicant to the extent permitted by RCW 80.08.030, or (f) for other purposes permitted by law.

The Applicant will utilize the proceeds of the proposed Securities for lawful purposes as outlined in RCW 80.08.030. Specifically, the Applicant anticipates using the liquidity from the establishment of the Securities to maintain an adequate level of overall corporate liquidity. In the current financial market turmoil the Applicant has determined that the added liquidity is needed in order to maintain sufficient flexibility if the markets remain unsettled for any length of time and access to the capital markets for longer term financing is constrained. The Applicant has \$25 million of debt maturities in December 2008 and a mandatory put of \$83.7 million of pollution control bonds on December 30, 2008. In addition, the Applicant has \$60 million of trust preferred securities that can be optionally redeemed in March 2009.

The Applicant would utilize the added corporate liquidity to help in the repurchasing of both the \$83.7 million of pollution control bonds and the \$60 million of trust preferred securities if the markets continue to be in turmoil at the time of the mandatory put and optional redemption dates. The pollution control bonds current term interest rate period matures on December 30, 2008 and on December 31, 2008 the Applicant will be required to repurchase and remarket the bonds. The trust preferred securities fixed interest rate period ends on March 31, 2009 and the option to redeem becomes available at that time. The current market for trust preferred securities has changed and as of this time it would be cost effective for the Applicant to redeem these securities.

**(2) A Description of the Proposed Issuance Including the Terms of Financing.**

The Applicant proposes to enter into various secured debt arrangements in a total amount of up to and including \$150,000,000. The Applicant will only enter into transactions where the fees, interest rates and expenses charged or incurred by the Applicant in connection with the transactions are competitive with then-existing market prices for similar transactions. It is anticipated that the Securities would bear a floating interest rate but could also have a fixed interest rate.

The issuance of Securities under the requested authority is anticipated before the end of 2009 and is expected to be in the range of \$100-\$150 million with a term which may exceed 364 days but no more than 3 years, all depending on and subject to then-existing market prices for similar transactions.

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

The issuance of the requested authority allows the Applicant greater liquidity and more flexibility in managing its daily cash requirements and upcoming debt maturities and redemptions. In a time of extreme uncertainty and instability in the credit markets, the Applicant believes it is in the public interest to maintain as much liquidity and flexibility as is available. Accordingly, Applicant believes the requested authority is in the public interest.

**(4) Text of a Draft Order Granting Applicant's Request for an Order is attached as "Exhibit A".**

Wherefore, the undersigned, an authorized agent of the Applicant, requests that the Washington Utilities and Transportation Commission issue its order affirming that the 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 8th day of October, 2008.

AVISTA CORPORATION

By: \_\_\_\_\_  
Diane C. Thoren  
Assistant Treasurer

PROPOSED ORDER OF APPLICANT

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

|   |                                    |
|---|------------------------------------|
| <b>IN THE MATTER OF THE APPLICATION OF )<br/>         AVISTA CORPORATION FOR AN ORDER )<br/>         AUTHORIZING THE OFFERING, ISSUANCE AND )<br/>         SALE OF DEBT SECURITIES NOT TO )<br/>         EXCEED \$150,000,000 )</b> | <b>CASE NO.<br/><br/>ORDER NO.</b> |
|---|------------------------------------|

On October 8, 2008, Avista Corporation (Avista) filed an Application with the Idaho Public Utilities Commission (Commission) requesting an Order authorizing the offering, issuance and sale by Avista of up to \$150,000,000 of secured debt arrangements (the Securities). The Commission, having fully considered the Application and exhibits attached thereto, and all of the Commission's files and records pertaining to the Application, makes the following findings of fact and conclusions of law, and enters this Order approving Avista's Application.

Avista 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. More specifically, The Applicant has \$25 million of debt maturities in December 2008 and a mandatory put of \$83.7 million of pollution control bonds on December 30, 2008. In addition, the Applicant has \$60 million of trust preferred securities that can be optionally redeemed in March 2009.

No person has received or will be entitled to receive from Avista 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. Avista is a Washington corporation qualified to do business in 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. Avista is a gas corporation within the 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. 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 31.01.01.141-150.

The Commission finds that the proposed issuance is for a lawful purpose and is within Avista's corporate powers. The proposed issuance and redemption of maturing debts provide an opportunity for

Avista to reduce borrowing costs and increase flexibility with future refinance options. This debt authority, however, may not be used to fund stock dividends.

The Commission's approval of the issuance 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 Avista 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 is not required. Avista has paid all lawful fees as provided by *Idaho Code* § 61-905.

#### ORDER

IT IS HEREBY ORDERED that Avista Corporation be, and the same hereby is authorized to offer, issue and sell up to and including \$150,000,000 in debt Securities, all as described in the Application filed on October 8, 2008.

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 the Order, and any refunding, extension, renewal or replacement thereof, are competitive with market prices for similar transactions.

IT IS FURTHER ORDERED that Avista 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 Avista shall file, as soon as they become available and update if any 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 pay or 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 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    day of November 2008.

\_\_\_\_\_  
JIM KEMPTON, COMMISSIONER

\_\_\_\_\_  
MARSHA H. SMITH, COMMISSIONER

\_\_\_\_\_  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

\_\_\_\_\_  
Jean D. Jewell  
Commission Secretary

WHEREFORE, the Applicant respectfully requests the Idaho Public Utilities Commission for an Order authorizing Avista Corporation (hereinafter called "Applicant") to issue up to and including \$150,000,000 of the debt Securities.

Dated to Spokane, Washington, this 8th day of October, 2008.

AVISTA CORPORATION

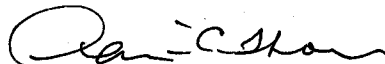
By   
Diane C. Thoren, Assistant Treasurer

STATE OF WASHINGTON

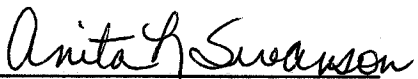
County of Spokane

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Diane C. Thoren, being duly sworn, under penalty of perjury deposes and says: That she is Assistant Treasurer of AVISTA CORPORATION; that she has read the foregoing application and knows the contents thereof; and that the same is true of her own knowledge and belief, and as to those matters she believes them to be true.

  
Diane C. Thoren, Assistant Treasurer

SUBSCRIBED AND SWORN to before me this  
8th day of October, 2008.

  
Notary Public for Washington

