

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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2008 OCT 14 AM 10: 21
IDAHO PUBLIC
UTILITIES COMMISSION

October 10, 2008

State of Idaho
Idaho Public Utilities Commission
Statehouse
Boise ID 83720

AVU-0-08-03

Attention: Jean D. Jewell, Secretary

Transmitted herewith are one executed and four 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,

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 Securities)
not to exceed \$83,700,000)

CASE NO. AVU-028-03

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 the Applicant of certain secured or unsecured bonds, notes and other evidences of indebtedness, including, without limitation, assumption of any obligation or liability as guarantor, indorser, surety or otherwise in respect to the securities of any other person, firm, corporation, or affiliate of the Applicant, and any refunding, extension, renewal or replacement of any of the foregoing (the "Securities").

The following information and specific exhibits are furnished in support thereof:

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(a) Name and address of principal business office:

Avista Corporation
Ann M Wilson, Vice President & Treasurer
1411 East Mission Avenue
Spokane WA 99202-2600

(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.

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, and Central & Southwest Oregon,.

Applicant is engaged in the generation, transmission, distribution, and sale of electric energy, which it sells at retail to approximately 309,000 residential, 39,000 commercial, and 1,800 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 276,000 residential, 33,000 commercial and industrial customers in Eastern Washington, Northern Idaho, and Central & Southwest Oregon,

(d) Description of securities, indebtedness or liabilities:

Pursuant to Rule 14.2 of the Rules of Practice and Procedure, the Applicant hereby Files the application filed with the Oregon Public Utility Commission as Exhibit "D-1" and the application before this Commission are as follows:

- (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 24.19 of the Rules of Practice and Procedure of the Idaho Public Utilities commission that are in general circulation in Applicant's service area.
- (2) Proposed Order of Applicant is filed herewith as Exhibit "D-2".

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of the request of AVISTA CORPORATION for an order establishing compliance with Chapter 80.08 RCW)))) _____)	Amended Application Docket No.
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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 \$83,700,000 in connection with the refunding or conversion of certain obligations related to pollution control bonds issued by the City of Forsyth, Montana, the proceeds of which have been loaned to the Applicant is 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 proposes to offer, issue and sell Securities for purposes authorized by law, in forms necessary or convenient to its operations, in a total amount of up to and including \$83,700,000, in connection with the refunding or conversion of certain obligations related to pollution control bonds issued by the City of Forsyth, Montana, the proceeds of which have been loaned to the Applicant.

The Applicant is requesting the conversion of existing bonds that were issued by the City of Forsyth to refinance Avista's undivided ownership interest in certain pollution control and solid waste disposal facilities at Colstrip units 3 and 4.

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

The Applicant proposes to offer, issue and sell Securities for purposes authorized by law, in forms necessary or convenient to its operations, in a total amount of up to and including \$83,700,000, in connection with the refunding or conversion of certain obligations related to pollution control bonds issued by the City of Forsyth, Montana, the proceeds of which have been loaned to the Applicant. While the specific terms of the transactions are presently being negotiated, 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, and any refunding, extensions, renewals or replacements thereof, are competitive with market prices for similar transactions.

The term interest rate period for the current bonds is scheduled to end on December 30, 2008, and on December 31, 2008 the Applicant will be required to repurchase and remarket the Bonds. In addition, the current bonds are currently insured, and the Applicant is advised that any attempt to remove the insurance policy or replace the insurance policy with some sort of credit enhancement would require the Applicant to pay the present value of all remaining bond insurance premiums. Given this expense, Applicant management believes that it would be prudent and in the best interests of the Applicant to redeem the entire two series of current bonds at the first optional redemption date of December 31, 2008, at a redemption price of 100% and, in anticipation of such redemption, issue two new series of bonds to refund the current bonds. Due to the current instability in the financial markets the Applicant may be required to repurchase the bonds on December 31, 2008 and complete the actual remarketing sometime in 2009. The terms, provisions and conditions, including the interest rates, whether fixed or variable, and maturity, credit enhancement and/or liquidity support, in connection with the issuance and sale of the new bonds would be determined at the time of issuance.

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

The Applicant's capital expenditure program requires a combination of internally generated cash and external financing. The current bonds have been fixed for a seven year term and have been backed with an insurance policy. The insurance policy gave the bonds an AAA rating and in return the lowest rates available in the market in 2001. However due to the recent downgrade of the insurance provider and the failure of the auction rate security markets in early 2008, the refunding and removal of the insurance would be prudent. In order to remove the insurance without paying the present value of the remaining insurance premiums the bonds must be refunded. The proposed authority would allow the Applicant to remove the insurance policy and issue the new bonds with more favorable terms.

(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 10th day of October, 2008.

AVISTA CORPORATION

By: _____
Diane C. Thoren
Assistant Treasurer

PROPOSED ORDER OF APPLICANT

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 Securities)
not to exceed \$83,700,000)

CASE NO. _____
ORDER NO. _____

On October 10, 2008, Avista Corporation (hereinafter called "Applicant") filed an Application with the Idaho Public Utilities Commission for an Order authorizing the offering, issuance and sale by the Applicant of certain secured or unsecured bonds, notes and other evidences of indebtedness, including, without limitation, assumption of any obligation or liability as guarantor, indorser, surety or otherwise in respect to the securities of any other person, firm, corporation, or affiliate of the Applicant, and any refunding, extension, renewal or replacement of any of the foregoing (the "Securities").

The Commission, having fully considered the Application and exhibits attached thereto, and all of the Commission's files and records pertaining to this Application, now makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

Avista Corporation is a Washington corporation qualified to do business within the State of Idaho. The Applicant 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 Applicant 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, indorser, surety or otherwise in respect to

the securities of any other person, firm, corporation, or affiliate of the Applicant, 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 Applicant 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 common stock.

CONCLUSIONS OF LAW

The Applicant 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 application pursuant to the provisions of *Idaho Code* § 61-901 et seq., and the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure (IDAPA 31.01.01.141-150).

The proposed offering, issuance and sale of the Securities is for a lawful purpose and are within Applicant's corporate powers. The proposed transaction is in the public interest, and a formal hearing on this matter would serve no public purpose.

All lawful fees have been paid by Applicant as provided by *Idaho Code* § 61-905.

ORDER

IT IS THEREFORE ORDERED that Avista Corporation be, and the same hereby is, authorized to offer issue and sell Securities as described in the application.

IT IS FURTHER ORDERED that the Applicant 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 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 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 the Applicant'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 _____, 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 \$83,700,000 of Securities.

Dated to Spokane, Washington, this 10th day of October, 2008.

AVISTA CORPORATION

By *Diane C. Thoren*
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
Diane C. Thoren, Assistant Treasurer

SUBSCRIBED AND SWORN to before me this
10th day of October, 2008.

C. Patricia Brown
Notary Public for Washington

