

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION DBA AVISTA) **CASE NOS. AVU-E-06-1**
UTILITIES FOR AN ORDER APPROVING A) **AVU-G-06-1**
CORPORATE REORGANIZATION TO)
CREATE A HOLDING COMPANY, AVA) **NOTICE OF APPLICATION**
FORMATION CORP.)
) **NOTICE OF WORKSHOP**
)
) **NOTICE OF MODIFIED**
) **PROCEDURE**
)
) **ORDER NO. 30026**

On February 16, 2006, Avista Corporation dba Avista Utilities (“Avista” or “Company”) filed an Application with the Idaho Public Utilities Commission seeking an order for authority to conduct a corporate reorganization and form a holding company to be known as AVA Formation Corp. This Commission has the jurisdiction over such request pursuant to *Idaho Code* § 61-328.

THE APPLICATION

YOU ARE HEREBY NOTIFIED that in its Application, Avista has requested an order granting the Company authority to modify its current corporate structure through the establishment of a holding company. The holding company, AVA Formation Corp. (the “Parent Corporation”), would be formed as the parent company of the existing regulated company, Avista Corporation. The Parent Corporation would also be the parent company of Avista Capital, Inc., which would continue to hold non-regulated subsidiaries.

YOU ARE FURTHER NOTIFIED that Avista Corporation, doing business as Avista Utilities, is currently the corporate parent. The proposed structure would make Avista Utilities a separate company under the Parent Corporation and Avista Corporation would no longer exist as an operating entity.

YOU ARE FURTHER NOTIFIED that Avista states that due to the recent repeal of the Public Utilities Holding Company Act of 1935 (PUHCA), the Company considers it to be in the best interest of customers and shareholders to change the corporate structure of Avista by

NOTICE OF APPLICATION
NOTICE OF WORKSHOP
NOTICE OF MODIFIED PROCEDURE
ORDER NO. 30026

forming a holding company structure. The Company believes that this reorganization would provide additional protection for ratepayers by “ring fencing” or further separating utility operations from the Company’s other non-regulated businesses.

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over this matter pursuant to *Idaho Code* § 61-328. Section 61-328 prohibits Avista from transferring any interest in Avista without the written authorization of this Commission. Before authorizing such a transaction, the Commission must find that: (1) the transaction is consistent with the public interest; (2) the cost of and rates for supplying service will not be increased by reason of such transaction; and (3) Avista has the bona fide intent and financial ability to operate and maintain Avista’s operation in Idaho. The Commission may attach conditions to its authorization and enter any final Order consistent with its authority under Title 61.

NOTICE OF WORKSHOP

YOU ARE FURTHER NOTIFIED that a **public workshop** is scheduled to commence at **10:00 A.M. ON TUESDAY, MAY 16, 2006 IN THE COMMISSION HEARING ROOM LOCATED AT 472 W. WASHINGTON STREET, BOISE, IDAHO (208-334-0300)**. The purpose of the public workshop will be for the Commission Staff, Company and interested parties to discuss issues arising out of the Application.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission’s jurisdiction under Title 61 of the Idaho Code and in particular *Idaho Code* § 61-328. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission’s Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented in this case and that issues raised by the Company’s filing may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. IDAPA 31.01.01.201-204. In so doing, the Commission notes that Modified Procedure and written comment have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that the Commission may not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that if no protests or written comments are received within the deadline, the Commission will consider the matter and enter its Order without a hearing. If protests or comments are filed within the deadline, the Commission will consider them and may, in its discretion, set the matter for hearing or decide the matter and issue its Order on the basis of the written positions before it. IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that **the deadline for filing written comments or protests** with respect to the Company's filings and the Commission's use of Modified Procedure in this case is **June 16, 2006**. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that written comments concerning Case Nos. AVU-E-06-1 and AVU-G-06-1 should be mailed to the Commission and to Avista at the addresses reflected below.

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address For Express Mail:

472 W. Washington Street
Boise, ID 83702-5983

Kelly O. Norwood
David J. Meyer
Avista Corporation
PO Box 3727
1411 E. Mission Avenue, MSC-13
Spokane, WA 99220-3727
E-mail: kelly.norwood@avistacorp.com
david.meyer@avistacorp.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's homepage located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to the Company at the e-mail addresses listed above.

ORDER

IT IS HEREBY ORDERED that a workshop shall be held on May 16, 2006 in order for Staff, the Company and interested parties to discuss issues arising out of this matter.

IT IS FURTHER ORDERED that this case be processed under Modified Procedure. Persons interested in submitting written comments regarding this case or protesting the use of Modified Procedure must do so no later than June 16, 2006.

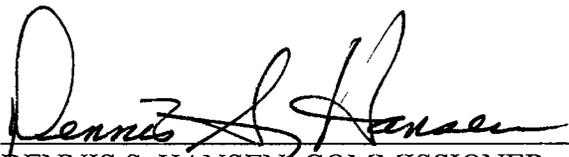
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27th day of April 2006.



PAUL KJELLANDER, PRESIDENT

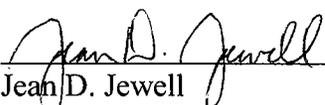


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:AVU-E-06-01_AVU-G-06-01_cg

NOTICE OF APPLICATION
NOTICE OF WORKSHOP
NOTICE OF MODIFIED PROCEDURE
ORDER NO. 30026