

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION FOR AN ORDER) CASE NO. AVU-U-05-2
AUTHORIZING THE OFFERING, ISSUANCE)
AND SALE OF COMMON STOCK UNDER ITS)
PERIODIC OFFERING PROGRAM AND ITS) ORDER NO. 29947
LONG-TERM INCENTIVE PLAN)**

On December 7, 2005, Avista Corporation (Avista) applied for authority to offer, issue and sell up to 7,000,000 shares of authorized but unissued Common Stock, without par value ("Common Stock") under both the Company's Periodic Offering Program (2,000,000) and its Long-Term Incentive Plan (5,000,000). The proceeds will be used for one or more of the following purposes: (a) the acquisition of property, or the construction, completion, extension, or improvement of its facilities, (b) the improvement or maintenance of service, (c) the discharge or refunding of its obligations, (d) the reimbursement of moneys actually expended from income or from the treasury of Avista to the extent permitted, or (e) for other purposes permitted by law.

THE APPLICATION

Avista proposes that the 2,000,000 Common Stock 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 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 year.

Avista proposes to issue up to 5,000,000 shares of Common Stock under its Long-Term Incentive Plan ("LTIP"). Avista has issued awards under the LTIP and is currently using open market purchases to fulfill its obligations under the LTIP. Avista would also like the flexibility to issue authorized but unissued shares of Common Stock to more effectively improve the common equity ratio of its capital structure and reduce costs associated with issuing stock through underwritings.

STAFF REVIEW

Staff recommended approval of Avista's Application. However, Staff also recommended that Avista be required to file a status report 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. Staff proposed to work with Avista on an acceptable format to meet these recommended filings.

FINDINGS OF FACT

Avista was incorporated under Washington law on March 15, 1889. The Company is qualified to do business within the State of Idaho and is engaged principally in the generation, purchase, transmission, distribution and sale of electric energy to residential, commercial and industrial customers in eastern Washington and northern Idaho, and the purchase, distribution and sale of natural gas to residential, commercial and industrial customers in eastern Washington, northern Idaho and central and southwest Oregon.

Based on the representations in the Application, we find that the proceeds from the issuances and sales of the Shares will be used for (a) the acquisition of property, or the construction, completion, extension, or improvement of its facilities, (b) the improvement or maintenance of service, (c) the discharge or refunding of its obligations, (d) the reimbursement of moneys actually expended from income or from the treasury of Avista to the extent permitted, or (e) for other purposes permitted by law.

Based on the representations in the Application, we further find that Avista proposes to issue and sell 2,000,000 shares of its Common Stock under its Periodic Offering Program 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 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 year. We also find that Avista proposes to issue and sell 5,000,000 shares of Common Stock under its Long-Term Incentive Program.

No person has received or will receive from Avista any fee (1) for services in connection with the issuance or sale of the above-referenced Common Stock, other than fees for

legal, accounting or similar professional or technical services, or (2) for services in securing underwriters, sellers or purchasers of the Common Stock.

The Company has paid the required fees required by *Idaho Code* § 61-905.

CONCLUSIONS OF LAW

Avista is an electric corporation within the definition of *Idaho Code* § 61-119, a gas corporation within the definition of *Idaho Code* § 61-117, and a public utility within the definition of *Idaho Code* § 61-129. The Idaho Public Utilities Commission has jurisdiction over this matter pursuant to Title 61, Idaho Code, Chapters 1 and 9, specifically *Idaho Code* §§ 61-119, 61-129, 61-901, and 61-902, and IDAPA 31.01.01.141-150.

After examining the Application and Staff's comments, the Commission finds that an evidentiary hearing in this matter is not required and would serve no public purpose.

The Commission further finds that the Application requesting authority to issue and sell, from time to time and for cash, up to 2,000,000 shares of Common Stock under the Company's Periodic Offering Program subject to certain conditions is for a lawful purpose, is within Avista's corporate powers, and is generally compatible with the public interest. The Commission further finds that the method of issuance is proper.

The Commission further finds that the Application requesting authority to issue and sell, from time to time and for cash, up to 5,000,000 shares of Common Stock under the Company's Long-Term Incentive Program is for a lawful purpose, is within Avista's corporate powers, and is generally compatible with the public interest. The Commission further finds that the method of issuance is proper.

This general approval of the general purposes to which the proceeds will be put is neither a finding of fact nor a conclusion of law that any particular program of the Company which may be benefited by the approval of this Application has been considered or approved by this Order, and this Order shall not be construed to that effect.

The issuance of this Order does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes, which determination the Commission expressly reserves until the appropriate proceeding.

ORDER

IT IS HEREBY ORDERED that the Application of Avista Corporation requesting authority to issue and sell, from time to time and for cash, up to 2,000,000 shares of Common

Stock under the Company's Periodic Offering Program 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 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 year, is hereby granted.

IT IS FURTHER ORDERED that the Application of Avista Corporation requesting authority to issue and sell, from time to time and for cash, up to 5,000,000 shares of Common Stock under the Company's Long-Term Incentive Program is hereby granted.

IT IS FURTHER ORDERED that nothing in this Order or any act or deed performed in connection with this Order 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 this Order.

IT IS FURTHER ORDERED that this authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, evaluation 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 Avista Corporation shall file the following as they become available:

1. The "Report of Securities Issued" required by 18 C.F.R. § 34.10.
2. Verified copies of any agreement entered into in connection with the Company's sales and issuances of the Shares.

IT IS FURTHER ORDERED that the Company shall file a status report 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, and will work with the Staff on developing an acceptable format to meet these filings.

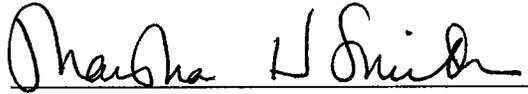
IT IS FURTHER ORDERED that the issuance of this Order does not constitute acceptance of Avista's exhibits or other material accompanying this Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in the Order (or in issues decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order and in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* §§ 61-626 and 62-619.

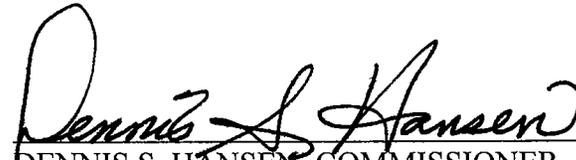
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10th day of January 2006.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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