

**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 FEB -4 AM 8:14

IDAHO PUBLIC  
UTILITIES COMMISSION



January 31, 2008

AVU-0-08-01

State of Idaho  
Idaho Public Utilities Commission  
Statehouse  
Boise ID 83720

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 February <sup>29</sup>31, 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 that reads "Diane Thoren".

Diane Thoren  
Assistant Treasurer

Enclosures

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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2008 FEB -4 AM 8:14

In the Matter of the Application of )  
AVISTA CORPORATION for an Order authorizing )  
the offering, issuance and sale of Securities )  
not to exceed \$350,000,000 )

CASE NO. \_\_\_\_\_  
IDAHO PUBLIC UTILITIES COMMISSION  
AVU-0-08-01

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 \$350,000,000 of secured fixed rate bonds.

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.

**BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON**

In the Matter of the Application of AVISTA CORPORATION for an Order authorizing the issuance and sale of <u>Debt Securities not to exceed \$350,000,000</u>	) ) ) ) )	APPLICATION UF-
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Avista Corporation (hereinafter called "Applicant") hereby applies for an Order of the Public Utility Commission of Oregon (Commission) authorizing the issuance and sale by the Applicant of up to \$350,000,000 of first mortgage bonds ("Bonds") in accordance with OAR 860-27-0025 and -0030 and Oregon Revised Statutes (ORS) 757.415, provided that, with respect to the Bonds contemplated above, such Bonds are either issued with a cost to maturity not exceeding the spreads over Treasury yields established by the Commission or is issued with a cost to maturity not exceeding 7.0 percent per annum.

1. Required information:

(a) The name and principal business address of the Applicant is Avista Corporation, 1411 East Mission Avenue, Spokane, Washington 99202-2600.

(b) The Applicant was incorporated in Washington Territory (now the State of Washington) on March 15, 1889. The term of incorporation is perpetual. The Applicant is a public utility, which currently owns and operates property in Eastern Washington, Northern Idaho, Western Montana, and Central & Southwestern Oregon.

(c) The name and address of the person authorized on behalf of the Applicant to receive notices and communications with respect to this Application is Ms. Diane C. Thoren, Assistant Treasurer, Avista Corporation, 1411 East Mission Avenue, Spokane, Washington, 99202.

(d) The names and titles of the principal officers of the Applicant, all of whom maintain offices at 1411 East Mission Avenue, Spokane, Washington 99202, are as follows:

Scott L. Morris	Chairman of the Board, Chief Executive Officer & President
Malyn K. Malquist	Executive Vice President & Chief Financial Officer
Marian M. Durkin	Senior Vice President, General Counsel & Chief Compliance Officer
Karen S. Feltes	Senior Vice President & Corporate Secretary
Christy M. Burmeister-Smith	Vice President, Controller & Principal Accounting Officer
Don F. Kopczynski	Vice President
David J. Meyer	Vice President & Chief Counsel for Regulatory & Governmental Affairs
Kelly O. Norwood	Vice President
Ann M. Wilson	Vice President & Treasurer
Roger D. Woodworth	Vice President
Don M. Falkner	Assistant Treasurer
Susan Y. Miner	Assistant Corporate Secretary
Diane C. Thoren	Assistant Treasurer

(e) 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.

Applicant is also engaged in the distribution and sale of natural gas to approximately 311,000 residential, commercial and industrial customers in Eastern Washington, Northern Idaho, and Central & Southwestern Oregon.

(f) The Applicant's capital stock as of September 30, 2007 was as follows (Dollars in thousands):

	<u>Shares</u>	<u>Outstanding Amount</u>
<b>Preferred Stock</b> (10,000,000 shares authorized)		
Total Preferred Stock	<u>00</u>	<u>\$0.00</u>
<b>Common Stock</b> (200,000,000 shares authorized)		
No Par Value	52,882,985	\$727,048
Capital Stock Expense		<u>(22,538)</u>
Total Common Stock	<u>52,882,985</u>	<u>\$704,510</u>

None of the capital stock is held as reacquired securities, pledged, held by affiliated corporations, or held in any fund, except as noted above.

(g) The Applicant's long-term debt as of September 30, 2007 was as follows:

<u>Description</u>	<u>Authorized (\$000s)</u>	<u>Outstanding (\$000s)</u>
<b>First Mortgage Bonds</b>		
Secured Medium-Term Notes, Series A	\$ 250,000	\$ 68,000
Secured Medium-Term Notes, Series B	250,000	5,000
5.70% Series Due 7-1-2038	150,000	150,000
6.125% Series Due 9-1-2013	150,000	45,000
5.45% Series Due 12-1-2019	*	90,000
6.25% Series Due 12-1-2035	150,000	150,000
Series C	250,000	88,850
<b>Pollution Control Bonds</b>		
Series due October 1, 2032	66,700	66,700
Series due March 1, 2034	17,000	17,000
6% Series due 2014	4,100	4,100
<b>Trust Preferred Notes</b>		
Capital I & II	150,000	113,403
<b>Senior Corporate Notes</b>		
9.75% Due 6-1-2008	<u>400,000</u>	<u>272,860</u>
<b>Total Long Term Debt</b>	<b>\$ <u>2,187,800</u></b>	<b>\$ <u>1,070,913</u></b>

None of the long-term debt is held as reacquired securities, pledged, held by affiliated corporations, or held in any fund, except as noted above.

\*Both the 6.125% and the 5.45% Series were issued under the same \$150 million authority.

(h) Full Description of Securities Proposed to be Issued. The Applicant proposes to offer, issue and sell the Bonds for purposes authorized by law, in forms necessary or convenient to its operations, in a total amount of up to and including \$350,000,000 and for terms which will exceed 365 days. While no specific transactions are presently pending or contemplated under the proposed authority, 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 then-existing market prices for similar transactions.

(i) Detailed Description of the Proposed Transaction. The terms for the Bonds will be determined at the time of issuance, and the underwriters, banks or other agents will be selected at that time. The Applicant proposes to offer, issue and sell the Bonds in a total amount of up to and including \$350,000,000. The Bonds may be issued as public offerings or on a private placement basis. 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. The terms of each Bond issuance and the names of the banks, or agents will be supplied at the time of issuance.

The issuance of Bonds under the requested authority is anticipated before the end of 2008 and is expected to be in the range of \$250-\$350 million with terms of 10-31 years. The actual amount issued and the maturities selected for the Bonds will be determined based on market conditions, investor demand and on the Applicant's current maturity schedule. At the time of issuance the Applicant will assess current market conditions to determine where the yield curve and spreads are most attractive, indicating strong investor demand. Based upon recent indications from investment banks, the Applicant could issue 10-year secured bonds at no more than 245 basis points over the current 10-year Treasury rate and no more than 265 basis points over the 30-year Treasury rate for a 30-year secured bond.

The Company also requests authority to issue the Bonds without further Commission approval to the extent its cost to maturity does not exceed the maximum total spreads over Treasury yields (See Exhibit L) or is issued with a cost to maturity not exceeding 7.0 percent per annum in order to provide additional flexibility in the event spreads widen or the Company decides to sell the Bonds through underwriters.

(j) Fees to Persons Other than Attorneys & Accountants. 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. The terms of each Bond issuance and the names of the banks, or agents will be supplied at the time of issuance.

(k) Total Amount and Net Proceeds. The estimated net proceeds are equal to \$350,000,000 less the underwriter's, bank's or agent's commissions. Compensation to any underwriter, bank or agent for their services in connection with the handling of the Bonds is not expected to exceed 1.5%.

Estimated Total Fees and Expenses - with total fees not to exceed \$4,600,000

Underwriters	\$3,150,000
Legal counsel fees	500,000
Title Insurance	350,000
Printing	100,000
Accounting	100,000
Trustee fees	50,000
Rating agency fees	250,000
Miscellaneous	100,000
Total:	<u>\$4,600,000</u>

(l) Purposes for which the Securities are to be Issued. The Applicant may use the funds from the offer, issuance and sale of the Bonds for any or all of the following purposes: (1) the Applicant's construction, facility improvement, and maintenance programs, (2) to retire or exchange one or more outstanding stock, bond, or note issuances, (3) to reimburse the treasury for funds previously expended, and (4) for such other purposes, as may be permitted by law. To the extent that the Applicant's treasury is refunded, the original expenditures, or their precedents, were made for purposes described by ORS 757.415(1)(a), (b), or (e). To the extent that the obligations are discharged or refunded, those obligations or their precedents were used for purposes described by ORS 757.415(1)(a), (b), or (e).

(m) Other applications. Similar applications have been filed with, the Washington Utilities and Transportation Commission and the Idaho Public Utilities Commission, in whose jurisdictions the Applicant also operates. The appropriate forms or other appropriate filing will be filed with the Securities and Exchange Commission depending on the nature of the issuance of the Bonds.

(n) Public interest. The Applicant anticipates using the proceeds from the issuance of the Bonds to refinance debt maturities and to repay funds borrowed under its corporate credit facility. The Applicant has \$318 million of debt maturities throughout the year plus \$190 million of capital expenditures for 2008. The issuance of the requested authority allows the Applicant the greater flexibility to manage its funds and reduce borrowing costs. As the facts set forth in this application demonstrate, the proposed authority would allow the Applicant to better manage its debt and capital in a more efficient and cost effective manner. Accordingly, Applicant believes the requested authority is consistent with the public interest and necessary or appropriate for or consistent with the proper performance by the Applicant of service as a public utility.

(o) Not Applicable

2. Submitted herewith are the following exhibits as required:

Exhibit A	The Applicant's Articles of Incorporation
Exhibit B	The Applicant's Bylaws
Exhibit C	A copy of the resolution adopted by the Applicant's Board.
Exhibit D	The Applicant's Mortgage
Exhibit E	A balance sheet as of September 30, 2007
Exhibit F	A statement of contingent liabilities as of September 30, 2007
Exhibit G	An income statement for the 9 months ended September 30, 2007
Exhibit H	An analysis of retained earnings for the 12 months ended September 30, 2007
Exhibit I	Drafts of transactional documents will be supplied when available.
Exhibit J	Underwriting documents will be supplied when available.
Exhibit K	Not applicable
Exhibit L	Spreads Table

WHEREFORE, the Applicant respectfully requests the Public Utility Commission of Oregon to enter a written order authorizing the proposed offering, issuance and sale by the Applicant of up to \$350,000,000 of certain first mortgage bonds.

AVISTA CORPORATION

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

Dated: January 25, 2008

STATE OF WASHINGTON            )  
County of Spokane                )

I, Diane C. Thoren, being duly sworn, depose and say that I am the Assistant Treasurer of Avista Corporation, the Applicant in the foregoing Application; that I have read said Application, including all Exhibits thereto, and know the contents thereof; and that the same are true to the best of my knowledge and belief.

\_\_\_\_\_  
Diane C. Thoren, Assistant Treasurer

SUBSCRIBED AND SWORN to before me this  
25th Day of January, 2008

\_\_\_\_\_  
Notary Public for Washington

My Commission Expires: \_\_\_\_\_

PROPOSED ORDER OF APPLICANT

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF THE APPLICATION OF</b>	)	
<b>AVISTA CORPORATION FOR AN ORDER</b>	)	<b>CASE NO.</b>
<b>AUTHORIZING THE OFFERING, ISSUANCE AND</b>	)	
<b>SALE OF SECURITIES NOT TO</b>	)	<b>ORDER NO.</b>
<b>EXCEED \$350,000,000</b>	)	

On January 31, 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 \$350,000,000 of secured fixed rate bonds (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, Avista anticipates using the proceeds to refinance \$318 million of debt maturities throughout the year including \$273 million that matures June 1, 2008. Avista requests authority to refund, extend, renew or replace the proposed securities to allow for the greatest flexibility in their use.

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 \$350,000,000 in Securities, all as described in the Application filed on January 31, 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 February 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 \$350,000,000 of the Securities.

Dated to Spokane, Washington, this 31st day of January, 2008.

AVISTA CORPORATION

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

STATE OF WASHINGTON )  
County of Spokane )

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 31st day of January, 2008.

*Patty Olsness*  
Notary Public for Washington

