

**Avista Corp.**  
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UE-040663 (SE)  
4-28-04

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Corp.

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STATE OF WASH.  
UTIL. AND TRNSP. COM.  
COMMUNICATIONS

April 9, 2004

State of Washington  
Washington Utilities and Transportation Commission  
1300 Evergreen Park Drive South  
Olympia WA 98504

Attention: Ms. Carole Washburn, Secretary

Docket No. \_\_\_\_\_

Transmitted herewith are one executed and two conformed copies of an application for approval of an order establishing compliance with RCW 80.08.040. Also enclosed is a diskette, which contains a draft order in MSWord format. If other applicable data or documents become available, they will be forwarded to your attention.

The Company requests to receive an Order of Approval from the Commission by May 12, 2004. When complete, please send two (2) executed copies of the Order of Approval to:

Ms. 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  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of the request of )  
AVISTA CORPORATION )  
for an order establishing compliance )  
with Chapter 80.08 RCW )

Docket No.

STATE OF WASH.  
UTIL. AND TRANSP.  
COMMISSION

RECEIVED  
REGISTRATION DIVISION  
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Avista Corporation (hereinafter called "Applicant") hereby requests the Washington Utilities and Transportation Commission enter a written order establishing that the proposed offering, issuance and sale by Applicant of up to and including \$250,000,000 of unsecured, fixed or floating rate bonds, notes and other evidences of indebtedness, which may be convertible into or exchangeable for shares of Applicant's common stock, and up to and including 3,000,000 shares of Applicant's common stock, including, without limitation, any refunding, extension, renewal or replacement of any of the foregoing (the "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 and WAC 480-146-290:

**(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.**

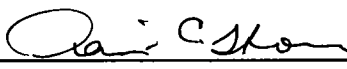
Applicant will use the funds from the proposed offerings, issuance and sale of Securities for one or more of the following purposes: (a) The acquisition of property, or the construction, completion, extension, or improvement of its facilities, or (b) the improvement or maintenance of service, or (c) 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 (e) for other purposes permitted by law.

The Applicant will utilize the proceeds of the proposed debt offering for lawful purposes as outlined in RCW 80.08.030. Specifically, the Applicant's capital expenditure program requires a combination of internally generated cash and external financing. In addition, the Applicant has \$28.5 million of debt maturities in the next 9 months beginning in March 2004 that must be refinanced. The Applicant anticipates using the proceeds from the issuance of the Securities to refinance debt maturities and to repay funds borrowed under its corporate credit facility. The Applicant's capital expenditure program is initially funded under its corporate credit facility. Capital expenditures are expected to be \$110 million and \$120 million in 2004 and 2005, respectively.

The undersigned certifies that she has read the foregoing information with respect to proposed use of funds 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 9th day of April, 2004.

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

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

The Applicant proposes to offer, issue and sell the Securities for purposes authorized by law, in forms necessary or convenient to its operations. In the case of debt securities, propose to issue a total amount of up to and including \$250,000,000 and for terms which

may exceed 364 days, and in the case of common stock, Applicant proposes to issue a total amount of up to and including 3,000,000 shares of Applicant's common stock. While no specific transactions are presently pending under the proposed authority, Applicant will only enter into transactions where the fees, interest rates and expenses charged or incurred by Applicant in connection with the transactions, and any refunding, extensions, renewals or replacements thereof, are competitive with then-existing market prices for similar transactions.

**Debt Securities:** Debt securities may be issued in one or more series (or tranches within a series), unsecured, long-term or short-term, bearing interest at fixed and/or variable rates, and offered and sold by public offering and/or private placement, all as indicated by market conditions prevailing from time to time. In addition, the debt securities may be convertible into or exchangeable for shares of Applicant's authorized and unissued common stock, as indicated by market conditions prevailing from time to time.

Debt securities may be sold to underwriters or through agents who in turn will offer the debt securities to investors, or may be sold directly to investors either with or without the assistance of a private placement agent (including placement agents who market the debt securities on a reasonable effort basis). Debt securities may be registered under the federal securities laws and may be listed on a securities exchange. Debt Securities may be issued as part of a program on a continuous or periodic basis. Early redemption or callable provisions will be determined at the time of issuance as indicated by market conditions prevailing at such time.

If debt securities are sold through a placement agent, at least two agents will be used to ensure competitive pricing. Based on market conditions prevailing at such time and in consultation with the placement agents, Applicant will determine the interest rates

and/or interest rate formulas at which it would be willing to issue debt securities of various maturities.

Market conditions change rapidly and continuously, and Applicant requests the flexibility to issue debt securities that have not been specifically described herein, albeit within the dollar limits herein requested. No later than the date of issuance, Applicant will notify the Commission, by letter, of the nature of any such other types of debt securities it has issued pursuant to the authority requested under this Application.

In all series' issuances, the terms for the sale of each series will be determined at the time of issuance, and underwriters, agents, or other purchasers will be selected at that time. The terms for the issuance and sale of each series and the names of the underwriters, agents, or other purchasers will be supplied to the Commission at the time of issuance. Applicant will use commercially reasonable efforts to comply with all deadlines and otherwise provide such information to the Commission on a timely basis, but the Commission's approval of this offer, issuance, and sale of Securities cannot be contingent on such filings. Applicant acknowledges, however, that, for ratemaking purposes, the Commission shall reserve judgment on the reasonableness of Applicant's capital costs, capital structure, and associated commissions and expenses incurred for security issuances.

If debt securities are convertible into or exchangeable for shares of Applicant's common stock under certain circumstances, the conversion or exchange circumstances and the amount and price of the conversion or exchange will be negotiated at the time of the offering.

**Common Stock:** Applicant may offer from time to time up to 3,000,000 shares of its common stock for various corporate purposes, including shares of common stock for which any of the foregoing debt securities may be convertible or exchangeable. Outstanding shares of Applicant's common stock are listed on the New York Stock Exchange and the Pacific Stock Exchanges under ticker symbol AVA. The shares offered hereby will be listed, subject to notice of issuance, on such exchanges. The reported last sale price of the common stock on the New York Stock Exchange on March 25, 2004 was \$18.19 per share.

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

The issuance of the requested authority allows Applicant the maximum flexibility in managing its funds and reducing borrowing costs. The proposed authority would allow Applicant to better manage its debt and capital in the most efficient and cost effective manner. Accordingly, Applicant believes the requested authority is in the public interest.

**(4) Text of a Draft Order Granting Applicant's Request for an Order, Including A Disk Containing the Proposed Language in a Format Acceptable to the Commission.**

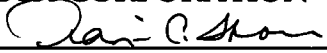
See attached proposed order

Wherefore, the undersigned, an authorized agent of Applicant, requests that the Washington Utilities and Transportation Commission issue its order affirming that 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 9th day of April, 2004.

AVISTA CORPORATION

By: 

Diane C. Thoren  
Assistant Treasurer

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

DOCKET NO. UE-

Avista,

ORDER NO.

Petitioner,

For an Order Establishing  
Compliance with RCW 80.08.040,  
with Respect to its Proposal to sell  
Securities up to \$250,000,000 and not  
more than 3,000,000 shares of  
Common Stock.

ORDER ESTABLISHING  
COMPLIANCE WITH RCW  
80.08.040

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BACKGROUND

1 On April 9, 2004, Avista Corporation (Avista or the Company) filed a statement of its plan to issue securities with the Washington Utilities and Transportation Commission (Commission). The Company requested an order affirming that the Company has complied with the requirements of RCW 80.08.040.

DISCUSSION

2 In its application, the Company proposes to offer, issuance and sale up to and including \$250,000,000 of unsecured, fixed or floating rate bonds, notes and other evidences of indebtedness, which may be convertible into or exchangeable for shares of the Company's common stock, and up to and including 3,000,000 shares of the Company's common stock, including, without limitation, any refunding, extension, renewal or replacement of any of the foregoing (the "Securities"). The application is filed pursuant to Chapter 80.08 RCW and the requirements of WAC 480-146-290.

3 According to the application and supporting materials filed by the Company, the proceeds of the financing are for one or more of the purposes allowed by RCW 80.08.030.



Specifically, the Company's capital expenditure program requires a combination of internally generated cash and external financing. In addition, the Company has \$28.5 million of debt maturities in the next 9 months beginning in March 2004 that must be refinanced. The Company anticipates using the proceeds from the issuance of the Securities to refinance debt maturities and to repay funds borrowed under its corporate credit facility. The Company's capital expenditure program is initially funded under its corporate credit facility. Capital expenditures are expected to be \$110 million and \$120 million in 2004 and 2005, respectively.

4 The debt securities may be sold to underwriters or through agents who in turn will offer the debt securities to investors, or may be sold directly to investors either with or without the assistance of a private placement agent.

5 In all series' issuances, the terms for the sale of each series will be determined at the time of issuance, and underwriters, agents, or other purchasers will be selected at that time. The terms for the issuance and sale of each series and the names of the underwriters, agents, or other purchasers will be supplied to the Commission at the time of issuance

6 In its application, the Company states that the requested authority allows greater flexibility in managing its source of external funds in order to achieve lower financing costs. Since this enables the Company to manage its debt and capital structure in a more efficient manner, the Company asserts that its request is in the public interest.

#### FINDINGS

7 (1) Avista is engaged in the business of electric service within the state of Washington. As a public service company, it is subject to the jurisdiction of the Commission under the provisions of Chapter 80.08 RCW.

8 (2) As to form, the application herein meets the requirements of Chapter 80.08 RCW and the rules and regulations of the Commission adopted pursuant thereto. *Chapter 480-146 WAC.*

9 (3) This matter was brought before the Commission at its regularly scheduled meeting on May 12, 2004.

10 (4) The Company's application in this Docket contains: (a) a certification by an authorized officer that the proceeds will be used for one or more purposes allowed by RCW 80.08.030; (b) a description of the proposed issuance, including the terms of financing, and (c) a statement as to why the proposed transaction[s] is in the public interest.

ORDER

THE COMMISSION ORDERS:

11 (1) Avista Corporation has complied with the requirements of RCW 80.08.040 with respect to the proposals set forth in its application to sell up to and including \$250,000,000 of debt securities, which may be convertible into or exchangeable for share of the Company's common stock, and up to and including 3,000,000 share of the Company's common stock.

12 (2) The Company is directed to file a Report of Securities Issued as required by WAC 480-146-340. The Company is also required to file verified copies of any agreement entered into in connection with any transaction pursuant to this Order. Finally, the Company shall file a verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this Order.

13 (3) This Order shall in no way affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.

The Commissioners, having determined this filing complies with the requirements of Chapter 80.08 RCW, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective this 12th day of May, 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary