

**Avista Corp.**

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October 8, 2008

David W. Danner, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia WA 98504-7250

Attention: Mr. David W. Danner, 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. 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.

The Company requests to receive an Order of Approval from the Commission by November 4, 2008. When complete, please send the executed copy 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,

A handwritten signature in cursive script, appearing to read "Diane Thoren".

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	) ) ) ) )	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 \$150,000,000 of various secured debt arrangements ("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:

**(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 will use the funds from the proposed 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 (f) for other purposes permitted by law.

The Applicant will utilize the proceeds of the proposed Securities for lawful purposes as outlined in RCW 80.08.030. Specifically, the Applicant anticipates using the liquidity from the establishment of the Securities to maintain an adequate level of overall corporate liquidity. In the current financial market turmoil the Applicant has determined that the added liquidity is needed in order to maintain sufficient flexibility if the markets remain unsettled for any length of time and access to the capital markets for longer term financing is constrained. The Applicant has \$25 million of debt maturities in December 2008 and a mandatory put of \$83.7 million of pollution control bonds on December 30, 2008. In addition, the Applicant has \$60 million of trust preferred securities that can be optionally redeemed in March 2009.

The Applicant would utilize the added corporate liquidity to help in the repurchasing of both the \$83.7 million of pollution control bonds and the \$60 million of trust preferred securities if the markets continue to be in turmoil at the time of the mandatory put and optional redemption dates. The pollution control bonds current term interest rate period matures on December 30, 2008 and on December 31, 2008 the Applicant will be required to repurchase and remarket the bonds. The trust preferred securities fixed interest rate period ends on March 31, 2009 and the option to redeem becomes available at that time. The current market for trust preferred securities has changed and as of this time it would be cost effective for the Applicant to redeem these securities.

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

The Applicant proposes to enter into various secured debt arrangements in a total amount of up to and including \$150,000,000. 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. It is anticipated that the Securities would bear a floating interest rate but could also have a fixed interest rate.

The issuance of Securities under the requested authority is anticipated before the end of 2009 and is expected to be in the range of \$100-\$150 million with a term which may exceed 364 days but no more than 3 years, all depending on and subject to then-existing market prices for similar transactions.

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

The issuance of the requested authority allows the Applicant greater liquidity and more flexibility in managing its daily cash requirements and upcoming debt maturities and redemptions. In a time of extreme uncertainty and instability in the credit markets, the Applicant believes it is in the public interest to maintain as much liquidity and flexibility as is available. Accordingly, Applicant believes the requested authority is in the public interest.

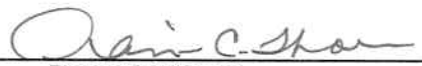
**(4) Text of a Draft Order Granting Applicant's Request for an Order is attached as "Exhibit A".**

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 8th day of October, 2008.

AVISTA CORPORATION

By:   
Diane C. Thoren  
Assistant Treasurer

**Text of a Draft Order Granting Applicant's Request for an Order**

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of the request of	)	Docket No. _____
AVISTA CORPORATION	)	
for an order authorizing compliance	)	ORDER
with Chapter 80.08 RCW	)	

On October 8, 2008, Avista Corporation ("Applicant") filed its application before the Washington Utilities and Transportation Commission in this matter for an order establishing that a proposed offering, issuance and sale by the Applicant of up to \$150,000,000 of various secured debt arrangements, and any refunding, extension, renewal or replacement of any of the foregoing (the "Securities") is in compliance with the requirements of Chapter 80.08 RCW.

Background

On October 8, 2008, the Applicant, filed an application with the Commission under the provisions of Chapter 80.08 RCW for an order establishing compliance with the requirements of that statute in connection with the Applicant's proposed offering, issuance and sale of Securities for purposes permitted by law, in forms necessary or convenient to its operations, in a total amount of up to and including \$150,000,000.

The Applicant has filed certain information with the Commission as required under RCW 80.08.040 and has requested the Commission to enter an order that the Applicant and the proposed offering, issuance and sale of Securities by the Applicant is in compliance with the requirements of Chapter 80.08 RCW.

FINDINGS

THE COMMISSION FINDS:

1. The Applicant, Avista Corporation, a Washington corporation, is a public service company subject to the jurisdiction of this Commission under the provisions of Chapter 80.08 RCW.
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.
3. The application in this Docket contains (a) a description of the purposes for which the proposed Securities will be issued along with certification by an authorized officer that the proceeds from this financing will be used for the purpose allowed by Chapter 80.08 RCW; (b) a description of the proposed issuance, including the terms of financing; and (c) a statement as to why the proposed transactions are in the public interest.
4. An order finding the application and the proposed offering, issuance and sale of Securities by the Applicant is in compliance with the requirements of Chapter 80.08 RCW should be entered.

ORDER

THE COMMISSION ORDERS:

1. The application filed by Avista Corporation, and the proposed offering, issuance and sale of the Securities by Avista Corporation as described in the application is in compliance with the requirements of Chapter 80.08 RCW.

2. Avista Corporation shall file, as soon as available:
  - a. The Report of Securities Issued required by WAC 480-90 and WAC 490-100.
  - b. Verified copies of any agreement entered into in connection with any transaction pursuant to this order.
3. This order shall in no way affect the authority of this Commission over rates, service, accounts, valuations, estimates or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.

DONE at Olympia, Washington, and effective this            day of            , 2008.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

David W. Danner  
Secretary