

Avista Corp.

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October 10, 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 three 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 that reads "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)

Amended Application

Docket No.

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 \$83,700,000 in connection with the refunding or conversion of certain obligations related to pollution control bonds issued by the City of Forsyth, Montana, the proceeds of which have been loaned to the Applicant is 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 proposes to offer, issue and sell Securities for purposes authorized by law, in forms necessary or convenient to its operations, in a total amount of up to and including \$83,700,000, in connection with the refunding or conversion of certain obligations related to pollution control bonds issued by the City of Forsyth, Montana, the proceeds of which have been loaned to the Applicant.

The Applicant is requesting the conversion of existing bonds that were issued by the City of Forsyth to refinance Avista's undivided ownership interest in certain pollution control and solid waste disposal facilities at Colstrip units 3 and 4.

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

The Applicant proposes to offer, issue and sell Securities for purposes authorized by law, in forms necessary or convenient to its operations, in a total amount of up to and including \$83,700,000, in connection with the refunding or conversion of certain obligations related to pollution control bonds issued by the City of Forsyth, Montana, the proceeds of which have been loaned to the Applicant. While the specific terms of the transactions are presently being negotiated, 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 market prices for similar transactions.

The term interest rate period for the current bonds is scheduled to end on December 30, 2008, and on December 31, 2008 the Applicant will be required to repurchase and remarket the Bonds. In addition, the current bonds are currently insured, and the Applicant is advised that any attempt to remove the insurance policy or replace the insurance policy with some sort of credit enhancement would require the Applicant to pay the present value of all remaining bond insurance premiums. Given this expense, Applicant management believes that it would be prudent and in the best interests of the Applicant to redeem the entire two series of current bonds at the first optional redemption date of December 31, 2008, at a redemption price of 100% and, in anticipation of such redemption, issue two new series of bonds to refund the current bonds. Due to the current instability in the financial markets the Applicant may be required to repurchase the bonds on December 31, 2008 and complete the actual remarketing sometime in 2009. The terms, provisions and conditions, including the interest rates, whether fixed or variable, and maturity, credit enhancement and/or liquidity support, in connection with the issuance and sale of the new bonds would be determined at the time of issuance.

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

The Applicant's capital expenditure program requires a combination of internally generated cash and external financing. The current bonds have been fixed for a seven year term and have been backed with an insurance policy. The insurance policy gave the bonds an AAA rating and in return the lowest rates available in the market in 2001. However due to the recent downgrade of the insurance provider and the failure of the auction rate security markets in early 2008, the refunding and removal of the insurance would be prudent. In order to remove the insurance without paying the present value of the remaining insurance premiums the bonds must be refunded. The proposed authority would allow the Applicant to remove the insurance policy and issue the new bonds with more favorable terms.


(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 10th day of October, 2008.

AVISTA CORPORATION

By: 

Diane C. Thoren
Assistant Treasurer