

**Avista Corp.**  
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Spokane, Washington 99220-3727  
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November 3, 2006

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. 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 8, 2006. 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<br>AVISTA CORPORATION<br>for an order establishing compliance<br>with Chapter 80.08 RCW | )<br>)<br>)<br>)<br>) | Application<br><br>Docket No. |
|---|-----------------------|-------------------------------|

Avista Corporation (hereinafter called "Applicant") hereby requests the Washington Utilities and Transportation Commission to enter a written order establishing that the proposed offering, issuance and sale by the Applicant of up to \$150,000,000 of secured, fixed rate bonds (the "Securities") 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:

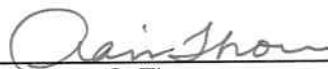
**(1) A Description of the Purposes for Which the Issuance is Made, Including a Certification By an Officer Authorized To Do So That the Proceeds From Any Such Securities Are For One Or More of the Purposes Allowed By Chapter 80.08 RCW.**

The Applicant 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 (f) 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 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 has \$170 million of debt maturities in the next 5 months beginning in December 2006 that must be refinanced including \$150 million that matures January 1, 2007.

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 3rd day of November, 2006.

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 secured fixed rate bonds in a total amount of up to and including \$150,000,000. The Applicant may also enter into insurance or other arrangements with unrelated parties pursuant to which such parties may lend additional credit or liquidity support to the Securities. The purpose of such additional credit or liquidity support would be to enhance the credit rating of the Securities and thereby reduce the interest expense of the Securities. 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 issuance of debt securities under the requested authority is anticipated before the end of 2006 and is expected to be in the range of \$75-\$150 million with a term of 7-30 years and the interest rate would not exceed 7.0%, all depending on and subject to then-existing market prices for similar transactions. The actual amount issued and the maturities selected for the Securities will be determined based on market conditions, investor demand and on the Applicant's current maturity schedule. The Applicant

anticipates selecting maturities so that no one year will have an unusually high amount of long-term debt maturing. 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 125 basis points over the current 10-year Treasury rate and no more than 165 basis points over the 30-year Treasury rate for a 30-year secured bond.

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

The issuance of the requested authority allows the Applicant greater flexibility in managing its funds and reducing borrowing costs. 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 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.**

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

On November 3, 2006, 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 secured or unsecured, fixed or floating rate bonds, notes and other evidences of indebtedness, including, without limitation, assumption of any obligation or liability as guarantor, indorser, surety or otherwise in respect to the securities of any other person, firm, corporation, or affiliate of the Applicant, 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 November 3, 2006, 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 and for terms which will exceed 364 days.

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            , 2006.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION


Carole Washburn  
Secretary

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 3rd day of November, 2006.

AVISTA CORPORATION

By:   
Diane C. Thoren  
Assistant Treasurer