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October 16, 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. 081859

The Applicant request that the application under Docket No. 081859 be amended by replacing item (2) as follows:

(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.

Documentation for the new bonds will include the ability to fix the interest rates for as short as one day or as long as fixing to maturity. If the bonds are issued under the floating rate mode (reset daily or weekly), rates today would be in the 2.00 - 5.50% range including the cost of the required letter of credit to back the bonds. If the bonds are fixed for five years, current rates are in the 5.75% - 7.00% range. If the bonds are fixed to the final maturity of 2032 and 2034, current rates are in the 7.00% - 8.00% range. However, these rates are subject to change due to the current market turmoil and volatility.

Done at Spokane, Washington this 16th day of October, 2008.

AVISTA CORPORATION

By: 

Diane C. Thoren
Assistant Treasurer