

December 5, 2005

Public Utility Commission of Oregon
Administrative Hearings Division
550 Capitol St NE #215
PO Box 2148
Salem OR 97308-2148

Attention: Filing Center

UF _____

Transmitted herewith are one executed and two conformed copies of an application for approval of an order authorizing security issuance.

The application contains as much information as is presently known. As other applicable data or updated documents become available, they will be forwarded to your attention.

The Company requests to receive an Order of Approval from the Commission by January 12, 2006. When complete, please send one (1) executed copies of the Order of Approval to:

Ms. Diane C. Thoren, Assistant Treasurer
Avista Corporation
1411 East 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
PUBLIC UTILITY COMMISSION OF OREGON**

In the Matter of the Application of)
AVISTA CORPORATION) APPLICATION
for an Order authorizing the issuance and sale of) UF-
up to 7,000,000 shares of Common Stock)

Avista Corporation (hereinafter called "Applicant") hereby requests the Public Utility Commission of Oregon to enter a written order establishing that the proposed offering, issuance and sale by the Applicant of up to 7,000,000 authorized but unissued shares of its Common Stock under both a periodic offering program (2,000,000) and the Applicant's Long-Term Incentive Plan (5,000,000) is in accordance with OAR 860-27-0030 and ORS 757.415.

1. Required information:

(a) The name and principal business address of the Applicant is Avista Corporation, 1411 East Mission Avenue, Spokane, Washington 99202-2600.

(b) The Applicant was incorporated in Washington Territory (now the State of Washington) on March 15, 1889. The term of incorporation is perpetual. The Applicant is a public utility, which currently owns and operates property in Eastern Washington, Northern Idaho, Western Montana, and Central & Southwestern Oregon.

(c) The name and address of the person authorized on behalf of the Applicant to receive notices and communications with respect to this Application is Ms. Diane C. Thoren, Assistant Treasurer, Avista Corporation, 1411 East Mission Avenue, Spokane, Washington, 99202.

(d) The names and titles of the principal officers of the Applicant, all of whom maintain offices at 1411 East Mission Avenue, Spokane, Washington 99202, are as follows:

Gary G. Ely	Chairman of the Board, President & CEO
Malyn K. Malquist	Senior Vice President, CFO & Treasurer
Marian M. Durkin	Senior Vice President, General Counsel & Chief Compliance Officer
Scott L. Morris	Senior Vice President
Karen S. Feltes	Senior Vice President & Corporate Secretary
Christy M. Burmeister-Smith	Vice President & Controller
Don F. Kopczynski	Vice President
David J. Meyer	V.P. & Chief Counsel for Regulatory & Governmental Affairs
Kelly O. Norwood	Vice President
Ronald R. Peterson	Vice President
Roger D. Woodworth	Vice President
Susan Y. Miner	Assistant Corporate Secretary
Diane C. Thoren	Assistant Treasurer
Robert R. Hanson	Assistant Controller

(e) The Applicant is engaged in the generation, transmission, distribution and sale of electric energy, which it sells at retail to approximately 330,000 residential, commercial, and industrial customers in Eastern Washington and Northern Idaho, and at wholesale to public utilities, municipalities and others. Its electric properties are operated as a unified system and are interconnected with adjacent electric utilities. The electric energy sold by the Applicant is generated in power stations, which it owns in whole or in part or obtained, by purchase or exchange from other utilities and governmental agencies.

The Applicant is also engaged in the distribution and sale of natural gas to approximately 285,000 residential, commercial and industrial customers in Eastern Washington, Northern Idaho, and Central & Southwestern Oregon.

(f) The Applicant's capital stock as of June 30, 2005 was as follows (Dollars in thousands):

	Shares	Outstanding Amount
Preferred Stock		
(10,000,000 shares authorized)		
Subject to Mandatory Redemption \$6.950 Series K (\$100 stated value)	297,500	\$29,750
Total Preferred Stock	<u>297,500</u>	<u>\$29,750</u>
Common Stock		
(200,000,000 shares authorized)		
No Par Value	48,532,080	\$630,041
Capital Stock Expense		<u>(10,522)</u>
Total Common Stock	<u>48,532,080</u>	<u>\$619,519</u>

None of the capital stock is held as reacquired securities, pledged, held by affiliated corporations, or held in any fund, except as noted above.

(g) The Applicant's long-term debt as of June 30, 2005 was as follows:

<u>Description</u>	<u>Authorized (\$000s)</u>	<u>Outstanding (\$000s)</u>
First Mortgage Bonds		
Secured Medium-Term Notes, Series A	\$ 250,000	\$ 73,500
Secured Medium-Term Notes, Series B	250,000	51,000
7 ¾% Series Due 1-1-2007	150,000	150,000
6.125% Series Due 9-1-2013	150,000	45,000
5.45% Series Due 12-1-2019	*	90,000
Series C	250,000	88,850
Pollution Control Bonds		
Series due October 1, 2032	66,700	66,700
Series due March 1, 2034	17,000	17,000
6% Series due 2014	4,100	4,100
Unsecured Medium-Term Notes		
Series A	200,000	3,000
Series B	150,000	17,000
Trust Preferred Notes		
Capital I & II	150,000	113,403
Senior Corporate Notes		
9.75% Due 6-1-2008	<u>400,000</u>	<u>280,686</u>
Total Long Term Debt	\$ <u>2,037,800</u>	\$ <u>1,000,239</u>

None of the long-term debt is held as reacquired securities, pledged, held by affiliated corporations, or held in any fund, except as noted above.

*Both the 6.125% and the 5.45% Series were issued under the same \$150 million authority.

(h) Full Description of Securities Proposed to be Issued. The Applicant proposes to issue up to 7,000,000 shares of authorized but unissued Common Stock, without par value, ("Common Stock").

(i) Detailed Description of the Proposed Transaction. The Applicant proposed to issue up to 7,000,000 shares of authorized but unissued Common Stock under both a periodic offering program and its Long Term Incentive Plan.

Periodic Offering Program

The Applicant proposes to issue up to 2,000,000 shares of authorized but unissued Common Stock under a periodic offering program. Since the new shares of Common Stock are expected to be issued from time to time and such issuances and sales are dependent upon factors such as market conditions and investor demand, the Applicant is not now able to specify the price at which the Common Stock will be sold.

The Applicant proposes to issue the Common Stock from time to time through one or more agents. The agents will assist Applicant with the marketing and distribution of new shares of Common Stock pursuant to an arrangement under which the new shares would be sold in one or more methods of offering determined by such agents, all in accordance with the terms of sales agency agreements. The new shares will be offered to the public after a registration statement relating to the new shares is declared effective and any other applicable requirements satisfied. The agents selected by the Applicant will have experience in marketing securities similar to the Common Stock, are expected to be familiar with the Applicant and the Applicant's long-term financing goals. The agents will assist the Applicant in evaluating market conditions and in formulating the terms and timing of the issuance.

The Applicant proposes that Common Stock issued and sold under a periodic offering program will be subject to the following pricing limitations: The price received by the Applicant, before agent commission, will not be less than \$0.25 below the last price at which the Applicant's Common Stock was reported in the record of composite quotations published in The Wall Street Journal on the trading day immediately preceding the day for the fixing of such price, and will also not be less than 100% of the book value per share of the Applicant's Common Stock as of the last day of the most recently ended calendar quarter.

Long-Term Incentive Plan

The Applicant proposes to issue up to 5,000,000 shares of authorized but unissued Common Stock under its Long-Term Incentive Plan("LTIP"). The Applicant has issued awards under the LTIP and is currently using open market purchases to fulfill its obligations under the LTIP. Prior to January 2005, the Applicant maintained both a Long-Term Incentive Plan and a 2000 Non-officer Employee Long-Term Incentive Plan. Both of those plans have been merged into the Applicant's LTIP, and awards outstanding under the prior plans have been assumed by the LTIP. Starting January 1, 2006, the Applicant would like the flexibility to issue either authorized but unissued shares of Common Stock or use open market purchases of issued and outstanding shares of Common Stock to fulfill its obligations under the LTIP.

The LTIP is administered by the Board of Directors of the Applicant or a committee or committees appointed by, and consisting of two or more members of the Board of Directors of the Applicant. To the extent consistent with applicable law, the Board of Directors may authorize one or more senior executive officers of the Applicant to grant awards to designated classes of eligible employees within the limits prescribed by the Board of Directors.

Awards under the LTIP may include, but are not limited to, incentive stock options, nonqualified stock options, stock appreciation rights, stock awards, performance awards, other stock-based awards and dividend equivalent rights. Awards may be granted singly, in combination or in tandem, so that the settlement or payment of one automatically reduces or cancels the other. Awards may also be made in combination or in tandem with, as alternatives to, or as the payment form for, grants or rights under any other employee or compensation plan of the Applicant

(j) Fees to Persons Other than Attorneys & Accountants. Compensation to any underwriter, bank or agent for their services in connection with the handling of the Common Stock that is the subject of this application is not expected to exceed 1.0%.

(k) Amount and Unit Price. Since the new shares of Common Stock issued under a periodic offering program are expected to be issued from time to time and such issuances and sales are dependent upon factors such as market conditions and investor demand, the Applicant is not now able to specify the price at

which the Common Stock will be sold. New shares of Common Stock issued under the LTIP will be issued in accordance with the award made under the LTIP at the time of such award. While it is not possible to measure the economic value of such shares of Common Stock until they are ultimately issued, if one assumes a market price of \$18 per share, the shares of Common Stock would be worth \$126,000,000 million (7,000,000 x \$18 per share).

(l) Purposes for which the securities are to be issued. The Applicant may use the proceeds from the offer, issuance and sale of the Common Stock for any or all of the following purposes: (1) the Applicant's construction, facility improvement, and maintenance programs, (2) to retire or exchange one or more outstanding stock, bond, or note issuances, (3) to reimburse the treasury for funds previously expended, and (4) for such other purposes, as may be permitted by law. To the extent that the Applicant's treasury is refunded, the original expenditures, or their precedents, were made for purposes described by ORS 757.415(1)(a), (b), or (e). To the extent that the obligations are discharged or refunded, those obligations or their precedents were used for purposes described by ORS 757.415(1)(a), (b), or (e). It should be recognized that in connection with shares of Common Stock issued under the LTIP, the proceeds of the offering, if any, are a secondary benefit. The primary benefit to the Applicant comes in the retention and motivation of its employees and other eligible participants in the LTIP.

(m) Other required applications of filings. Similar applications have been filed with, the Washington Utilities and Transportation Commission and the Idaho Public Utilities Commission, in whose jurisdictions the Applicant also operates. The appropriate forms or other appropriate filing will be filed with the Securities and Exchange Commission depending on the nature of the issuance of the Common Stock.

(n) Reasons and Benefits. The requested authority allows the Applicant (i) to improve its debt to equity ratio over time by issuing additional Common Stock under a periodic offering program, and (ii) to retain and motivate eligible participants by offering Common Stock-based awards to employees, officers and directors of the Applicant and its subsidiaries. The requested authority also allows the Applicant additional flexibility in managing its funds. Accordingly, Applicant believes the requested authority is consistent with the public interest and necessary or appropriate for or consistent with the proper performance by the Applicant of service as a public utility.

(o) Not Applicable

2. Submitted herewith are the following exhibits as required:

Exhibit A	The Applicant's Articles of Incorporation
Exhibit B	The Applicant's Bylaws
Exhibit C	A copy of the resolution adopted by the Applicant's Board.
Exhibit D	The Applicant's Mortgage
Exhibit E	A balance sheet as of June 30, 2005
Exhibit F	A statement of contingent liabilities as of June 30, 2005
Exhibit G	An income statement for the 6 months ended June 30, 2005
Exhibit H	An analysis of retained earnings for the 12 months ended June 30, 2005
Exhibit I	Drafts of transactional documents will be supplied when available.
Exhibit J	Proposed journal entry.
Exhibit K	Not applicable

WHEREFORE, the Applicant respectfully requests the Public Utility Commission of Oregon to enter a written order authorizing the proposed offering, issuance and sale by the Applicant of up to 7,000,000 authorized but unissued shares of its Common Stock under a periodic offering program and the Applicant's Long-Term Incentive Plan.

AVISTA CORPORATION

By _____
Diane C. Thoren, Assistant Treasurer

Dated: December 5, 2005

STATE OF WASHINGTON)
County of Spokane)

I, Diane C. Thoren, being duly sworn, depose and say that I am the Assistant Treasurer of Avista Corporation, the Applicant in the foregoing Application; that I have read said Application, including all Exhibits thereto, and know the contents thereof; and that the same are true to the best of my knowledge and belief.

Diane C. Thoren, Assistant Treasurer

SUBSCRIBED AND SWORN to before me this
5th Day of December, 2005

Notary Public for Washington

My Commission Expires: _____

AVISTA CORPORATION
Unconsolidated Balance Sheet
At June 30, 2005

Dollars in Thousands

		pro forma
ASSETS:		
CURRENT ASSETS:		
Cash, Restricted cash, Materials, and other	\$ 95,321	\$ 95,321
Accounts and notes receivable	<u>83,783</u>	<u>83,783</u>
Total current assets	<u>179,104</u>	<u>179,104</u>
PROPERTY:		
Utility plant in service-net	2,773,153	*2,899,153
Less: accumulated depreciation and amortization	<u>766,935</u>	<u>766,935</u>
Net utility plant	<u>2,006,218</u>	<u>2,132,218</u>
OTHER PROPERTY AND INVESTMENTS:		
Investment in exchange power-net	34,708	34,708
Other-net	<u>267,792</u>	<u>267,792</u>
Total other property and investments	<u>302,500</u>	<u>302,500</u>
DEFERRED CHARGES:		
Regulatory assets	146,240	146,240
Unamortized debt expenses	50,443	50,443
Other	<u>259,894</u>	<u>259,894</u>
Total deferred charges	<u>456,577</u>	<u>456,577</u>
TOTAL	<u>\$ 2,944,399</u>	<u>3,070,399</u>
CAPITALIZATION AND LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	72,129	72,129
Current portions and short term borrowings	132,280	132,280
Interest accrued	17,988	17,988
Other	<u>82,603</u>	<u>82,603</u>
Total current liabilities	<u>305,000</u>	<u>305,000</u>
DEFERRED CREDITS:		
Deferred income taxes, Other	483,624	483,624
Other	<u>384,801</u>	<u>384,801</u>
Total deferred credits	868,425	868,425
CAPITALIZATION:		
Common stock and additional paid in capital	\$ 619,519	*745,519
Other shareholders equity (includes retained earnings) ...	143,663	143,663
Preferred stock - subject to mandatory redemption	141,403	141,403
Long-term debt	<u>866,389</u>	<u>866,389</u>
Total capitalization	<u>1,770,974</u>	<u>1,896,974</u>
TOTAL	<u>\$ 2,944,399</u>	<u>\$ 3,070,399</u>

*\$126 million in new equity.

Unconsolidated Statement of Income
For the Six Months Ended June 30, 2005
Dollars in Thousands

pro forma

Operating Revenues	<u>\$ 558,035</u>	<u>\$ 558,035</u>
Operating Expenses:		
Resource costs	294,435	294,435
Admin. And general	36,183	36,183
Operations and Maintenance.....	53,032	53,032
Depreciation and Amortization.....	41,454	41,454
Taxes other than income taxes	<u>36,064</u>	<u>36,064</u>
Total operating expenses.....	<u>460,735</u>	<u>460,735</u>
Gain on Sale of natural gas distribution properties	<u>3,209</u>	<u>3,209</u>
Income from Operations.....	<u>100,509</u>	<u>100,509</u>
Other Income (Expense):		
Interest expense	(45,726)	(45,726)
Capitalized interest	587	587
Other income - net.....	<u>3,318</u>	<u>3,318</u>
Total other income (expense) - net.....	<u>(41,821)</u>	<u>(41,821)</u>
Income Before Income Taxes	58,688	58,688
Income Taxes.....	<u>21,295</u>	<u>21,295</u>
Net Income	<u><u>37,393</u></u>	<u><u>37,393</u></u>

*See exhibit H for calculation.

AVISTA CORPORATION
An analysis of the income statement pro forma
At June 30, 2005

Common Stock

The estimated amount of issued equity would be 7,000,000 shares at \$18 or \$126,000,000.00

Annual dividend

$(7,000,000 \times 0.54) = \$3,780,000$

AVISTA CORPORATION
Proposed journal entry
Dollars in Thousands

	DR	CR
Common Equity		\$126,000
Utility plant	<u>126,000</u>	
	<u>\$126,000</u>	<u>\$126,000</u>

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UF _____

In the Matter of the Application of)	
AVISTA CORPORATION)	APPLICATION
for an Order authorizing the issuance and sale of)	UF-
<u>7,000,000 shares of Common Stock</u>)	

Avista Corporation (hereinafter called "Applicant") hereby requests the Public Utility Commission of Oregon to enter a written order establishing that the proposed offering, issuance and sale by the Applicant of up to 7,000,000 authorized but unissued shares of its Common Stock under both a periodic offering program (2,000,000) and the Applicant's Long-Term Incentive Plan (5,000,000) in accordance with OAR 860-27-0025 and -0030.

At its _____, public meeting, the Commission decided to grant the application.

Based on the Application and the Commission's records, the Commission makes the following:

FINDINGS OF FACT

The Company provides natural gas service to the public in Oregon.

The Company proposes to issue and sell up to 7,000,000 share of Common Stock for various corporate purposes.

There is no indication that the proposed offering will impair the Company's ability to provide its public utility service.

OPINION

Jurisdiction

ORS 757.005 defines a "public utility" as anyone providing heat, light, water or power service to the public in Oregon. The Company is a public utility subject to the Commission's jurisdiction.

The Offerings

ORS 757.415(1) provides that:

A public utility may issue [stocks and bonds, notes, and other evidences of indebtedness] for the following purposes and no others....:

- (a) The acquisition of property, or the construction, completion, extension, or improvement of its facilities.
- (b) The improvement or maintenance of its service.
- (c) The discharge or lawful refunding of its obligations.
- (d) The reimbursement of money actually expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks or bonds, notes or other evidences of indebtedness, or securities of such public utility, for any of the purposes listed in paragraphs (a)

to (c) of this subsection except the maintenance of service and replacements, in cases where the applicant has kept its accounts and vouchers for such expenditures in such manner as to enable the commission to ascertain the amount of money so expended and the purposes for which such expenditures were made.

When an application involves refunding of obligations, the applicant also must show that the original borrowings were made for a permissible purpose. Avion Water Company, Inc., UF 3903, Order No. 83244; Pacific Power & Light Co., UF 3749, Order No. 81-745 at 5.

ORS 757.415(2) provides that:

[The applicant] shall secure from the commission an order stating:

- (a) The amount of the issue and the purposes to which the proceeds are to be applied; and
- (b) In the opinion of the commission, the [proceeds] reasonably [are] required for the purposes specified in the order and compatible with the public interest, which is necessary or appropriate for or consistent with the proper performance by the applicant of service as a public utility, and will not impair its ability to perform that service; and
- (c) Except as otherwise permitted in the order in the case of [long-term debt], such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The amount of the offering will be not more than 7,000,000 share of Common Stock. The Applicant will use the funds from the offer for the following purpose: to retire or exchange one or more outstanding stock, bond, or note issuances. To the extent that the obligations are discharged or refunded, those obligations or their precedents were used for purposes described by ORS 757.415(1)(a), (b), or (e).

Utility facilities are long-term assets which should be financed with long-term capital. The proposed expenditures are not reasonably chargeable to operating expenses or income.

The Commission believes that the proposed transactions are reasonably required for the purposes stated. The Company's proposed issuances are compatible with the public interest and consistent with the proper performance of the Company's public utility service. The proposed transactions will not impair the Company's ability to perform that service.

For rate-making purposes, the Commission reserves judgment on the reasonableness of the Company's capital costs and capital structure. In its next rate proceeding, the Company will be required to show that its capital costs and structure are just and reasonable. See ORS 757.210.

CONCLUSIONS OF LAW

1. The Avista Corporation is a public utility subject to the Commission's jurisdiction.
2. The application meets the requirements of ORS 757.415.
3. The Application should be granted.

ORDER

IT IS THEREFORE ORDERED that:

ORDER NO.

1. The Application of Avista Corporation for authority to issue and sell up to 7,000,000 authorized but unissued share of Common Stock for various corporate purposes.
2. The proceeds must be used for the purposes set forth in ORS 757.415(1) (a), (b), (c) and (d).
3. Avista Corporation shall file as they become available:
 - (a) The Report of Securities Issued required by OAR 860-27-030(4).
 - (b) Verified copies of any agreement entered into in connection with the issuance of the Securities pursuant to this order not previously filed with the Commission.
 - (c) A verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this order.

Made, entered, and effective _____.

BY THE COMMISSION:

Lee Beyer
Commissioner

Ray Baum
Commissioner

John Savage
Commissioner