

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4223

In the Matter of)
)
AVISTA CORPORATION) ORDER
)
Application for Authority to Issue and Sell up)
to 7,000,000 Shares of Common Stock.)

**DISPOSITION: APPLICATION APPROVED WITH CONDITIONS AND
REPORTING REQUIREMENTS**

On December 5, 2005, Avista Corporation (Avista) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.415 and OAR 860-027-0030. Avista requests the authority to issue and sell up to 7,000,000 shares of common stock under both a periodic offering program (POP: 2,000,000) and Avista's Long-Term Incentive Plan (LTIP: 5,000,000). The basis for the current request is detailed in Staff's Report, attached as Appendix A.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on January 10, 2006, the Commission adopted Staff's recommendation and approved Avista's current request.

ORDER

IT IS ORDERED THAT the application of Avista Corporation for authority to issue and sell up to 7,000,000 Shares of Common Stock is approved, subject to the conditions specified in Appendix A.

JAN 17 2006

Made, entered and effective _____.

BY THE COMMISSION:



Becky L. Beier

Becky Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 10, 2006

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: December 28, 2005

TO: Public Utility Commission

FROM: Ming Peng *mp.*

THROUGH: *in* Lee Sparling, *A* Marc Hellmah, and *BAC* Bryan Conway

SUBJECT: AVISTA UTILITIES: (Docket No. UF 4223) Application for Authority to Issue and Sell up to 7,000,000 Shares of Common Stock.

STAFF RECOMMENDATION:

The Commission should approve Avista Corporation's (Avista or Company) application to issue and sell up to 7,000,000 shares of common stock, under both a periodic offering program (POP: 2,000,000) and the Avista's Long-Term Incentive Plan (LTIP: 5,000,000), subject to the following conditions and reporting requirements:

1. The Company shall file an annual Report of Securities Issued and Disposition of Net Proceeds statements beginning July 1, 2006, for its POP and LTIP.
2. The total fees under the POP will not be above 25 cents/share. The fees for LTIP to any underwriter, bank or agent for their services in connection with the handling of the common stock in this application will not exceed 0.5%.
3. The Commission reserves judgment on the reasonableness, for ratemaking purposes, of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capital costs, including embedded expenses, and capital structure are just and reasonable.

DISCUSSION:

On December 5, 2005, the Company filed an application pursuant to Oregon Revised Statutes (ORS) 757.415, and Oregon Administrative Rule (OAR) 860-027-0030 for authority to issue and sell up to 7,000,000 shares of common stock under both a POP

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(2,000,000) and the Company's LTIP (5,000,000). The detailed description of the proposed transaction is described below.

1. Common Stock—Periodic Offering Program (POP).

Avista requests the Commission's authority to issue up to 2,000,000 shares of its common stock under the POP, representing 4.1% of shares outstanding as of September 30, 2005, and an approximate 1.1% increase in common equity. The POP incorporates an agreement between the Company and an agent to sell common stock to the public periodically.

Avista proposes that common stock to be issued under a POP will be subject to the following pricing limitations: The price received by the Company, before agent commission, will not exceed \$0.25 below the last price at which the Avista'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 Avista's common stock as of the last day of the most recently ended calendar quarter.

2. Common Stock—Long Term Incentive Plan (LTIP).

Avista requests the Commission's authority to issue and sell 5,000,000 shares of its common stock under the LTIP, representing 10.3% of shares outstanding as of September 30, 2005, and an approximate 3.9% increase in common equity.

The Company has issued awards under the LTIP and is currently using open market purchases to fulfill its obligations under the LTIP. The LTIP is administered by the Board of Directors of the Company. 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.

The actual price for the common stock will be determined in accordance with the award made under the LTIP at the time of such award. If the common stock would be sold at a price of about \$18.00 per share today, the shares of common stock would be worth \$126 million (7,000,000 x \$18 per share).

Expenses

Avista represents that the total fees under the POP will not be above 25 cents/share. Avista also represents that the fees for LTIP to any underwriter, bank or agent for their services in connection with the handling of the common stock in this application are expected to be minimal and are not expected to exceed 0.5%.

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Use of Proceeds

Avista represents that it may use the proceeds from the offer, issuance and sale of the common stock for any or all of the following purposes: (1) Company's construction, facility improvement, and maintenance programs, (2) retire or exchange one or more outstanding stock, bond, or note issuances, (3) reimburse the treasury for funds previously expended, and (4) for such other purposes as may be permitted by law. To the extent that Company's treasury is refunded, the original expenditures, or their precedents, were made for purposes described by ORS 757.415 (1).

Based on Staff's review, approval of Avista's application with the proposed conditions appears fair and reasonable.

PROPOSED COMMISSION MOTION:

Avista's application for the authority to issue up to 7,000,000 shares of its common stock be approved with Staff's conditions.

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