

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: JUNE 18, 2004

**RE: IN THE MATER OF AVISTA CORPORATION'S APPLICATION FOR
AUTHORITY TO ISSUE NOT MORE THAN \$250,000,000 OF DEBT AND
NOT MORE THEN 3,000,000 SHARES OF COMMON STOCK;
CASE NO. AVU-U-04-2.**

On June 16, 2004, Avista Corporation (Avista) applied to amend the authority granted in this case under Order No. 29499, dated May 12, 2004. Avista requests an increase from 3,000,000 to 10,000,000 of authorized common shares. Clarification of the authority to issue common shares is also requested. The clarifying language requested in the first ordering paragraph on page 3 of Order No. 29499 is a follows:

IT IS THEREFORE ORDERED that Avista Corporation be, and the same hereby is, authorized to offer, issue and sell up to \$250,000,000 unsecured, fixed or floating rate bonds, notes and other evidences of indebtedness, which may be convertible into or exchangeable for shares of Avista's common stock, but also to offer, issue and sell up to and including the 10,000,000 shares of common stock in connection with any such convertible debt or independent of any debt offering. In the event of a conversion from debt to equity, the maximum dollar amount of the converted shares would have a limit of up to \$250,000,000.

All other terms of the Order will remain in force including the reports to the Commission. The amendments are needed to simplify pricing of the debt with the convertible option. Any common issuance also would require these amendments. At the current stock price of approximately \$17.50 issuance of 10 million shares equates to \$175,000,000.

STAFF RECOMMENDATION

Staff recommends approval of the amendments.

COMMISSION DECISION

Does the Commission approve the requested amendments?

Terri Carlock
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