

ITEM NO. CA23

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 19, 2006**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: September 12, 2006

TO: Public Utility Commission

FROM: Ming Peng

THROUGH: Lee Sparling, Marc Hellman, and Bryan Conway

SUBJECT: AVISTA UTILITIES: (Docket No. UF 4223 (1)) Requests the Commission Amend Order No. 06-014.

STAFF RECOMMENDATION:

I recommend that the Public Utility Commission of Oregon (Commission) approve Avista Utilities' (Avista or Company) request to amend Commission Order No. 06-014 with the following conditions and reporting requirements. All previous conditions remain in effect unless explicitly amended herein:

1. Avista shall file the usual Report of Securities Issued and Disposition of Net Proceeds Statements after each issuance and sale.
2. The total agent fee expenses under the Periodic Offering Program (POP) will not exceed 1.0 percent of the sale price for each share of Common Stock.

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 (2,000,000) and the Company's Long Term Incentive Plan (LTIP: 5,000,000).

On January 17, 2006, Order No. 06-014 was issued granting the requested authority, but with conditions and reporting requirements.

On September 7, 2006, Avista filed an application requesting the Commission amend Order No. 06-014. Under Order No. 06-014, the Company has not yet issued any shares of common stock under the POP.

The requested amendment revises the Company's agent fee expenses from the current "not be above 25 cents per share" to "1.0 % of the sale price for each share of Common Stock sold by such agent." Avista represents that the requested change in agent fee expenses came from a change in the compensation to the agents for the services provided in selling the Common Stock under the POP. The preliminary agent's fee structure was \$0.25 per share; the current agent fee structure has changed to 1% of the stock price. In order for the Company to receive the proper legal opinions necessary to move forward with the issuance of Common Stock, the modification needs to be made to address the new issuance fee structure.

Avista also represents that the change may create a reduction in fees paid to agents. The range of the Avista's stock price over the past 52-weeks has been \$16.76 - \$25.29 equating to a fee ranging from \$0.17 - \$0.25 per share as apposed to a flat \$0.25 per share. Avista's stock price as of September 12, 2006, was \$23.64.

Based on Staff's review, approval of Avista's application to amend Commission Order No. 06-014 with the proposed conditions will provide reasonable access to the capital markets. The application appears reasonable, meets the appropriate statutory requirements, and is not contrary to the public interest.

PROPOSED COMMISSION MOTION:

Avista's request to amend Commission Order No. 06-014 to revise the Company's agent fee expenses be approved with Staff's conditions.