

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

---

**FORM 8-K**

---

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): September 15, 2009

---

**AVISTA CORPORATION**

(Exact name of registrant as specified in its charter)

---

**Washington**  
(State or other jurisdiction  
of incorporation)

**1-3701**  
(Commission File Number)

**91-0462470**  
(I.R.S. Employer  
Identification No.)

**1411 East Mission Avenue, Spokane, Washington**  
(Address of principal executive offices)

**99202-2600**  
(Zip Code)

**Registrant's telephone number, including area code: 509-489-0500**

**Web site: <http://www.avistacorp.com>**

(Former name or former address, if changed since last report)

---

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

## **Section 8 – Other Events**

### **Item 8.01 Other Events.**

On September 15, 2009, Avista Corporation (Avista Corp.) entered into an underwriting agreement covering the issue and sale by Avista Corp. of \$250.0 million of 5.125 percent First Mortgage Bonds due in 2022 under a registration statement (No. 333-139239) previously filed with the Securities and Exchange Commission (SEC). Avista Corp. filed a prospectus supplement with the SEC in connection with this issuance of First Mortgage Bonds.

This Current Report on Form 8-K is being filed for the purpose of filing exhibits to the registration statement and related prospectus supplement for the issuance of First Mortgage Bonds. All such exhibits are hereby incorporated by reference into the registration statement and related prospectus supplement by reference.

This Current Report on Form 8-K does not constitute an offer to sell or a solicitation of an offer to buy the securities described herein, and there shall not be any sale of these securities in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The sale of securities is being made only by means of a prospectus and related prospectus supplement.

## **Section 9 – Financial Statements and Exhibits**

### **Item 9.01 Financial Statements and Exhibits.**

#### **(d) Exhibits**

- 1.1 Underwriting Agreement, dated September 15, 2009, between Avista Corporation and UBS Securities LLC and J.P. Morgan Securities Inc., As Representatives of several Underwriters
- 4.1 Forty-Sixth Supplemental Indenture, dated as of September 1, 2009
- 12 Computation of ratio of earnings to fixed charges



## AVISTA CORPORATION

## First Mortgage Bonds, 5.125% Series due 2022

---

Underwriting Agreement

September 15, 2009

UBS Securities LLC  
J.P. Morgan Securities Inc.As Representatives of the several Underwriters  
Named in Schedule I hereto,c/o UBS Securities LLC  
677 Washington Boulevard  
Stamford, Connecticut 06901

Ladies and Gentlemen:

Avista Corporation, a Washington corporation (the “**Company**”), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (collectively, the “**Underwriters**”) for whom you are acting as representatives (in such capacity the “**Representatives**”), \$250,000,000 in aggregate principal amount of its First Mortgage Bonds, 5.125% Series due 2022 (the “**Securities**”). The Securities are to be issued as a series of bonds under the Mortgage and Deed of Trust, dated as of June 1, 1939, between the Company and Citibank, N.A., as trustee (the “**Trustee**”), as amended and supplemented by various supplemental indentures including the Forty-sixth Supplemental Indenture, to be dated as of September 1, 2009. Such Mortgage and Deed of Trust, as so amended and supplemented, and such Forty-sixth Supplemental Indenture are hereinafter called, respectively, the “**Mortgage**” and the “**Supplemental Indenture**”.

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) An “automatic shelf registration statement” as defined under Rule 405 under the Securities Act of 1933, as amended (the “**Act**”) on Form S-3 (File No. 333-139239) in respect of the Securities has been filed with the Securities and Exchange Commission (the “**Commission**”) not earlier than three years prior to the date hereof; such registration statement, and any post-effective amendment thereto, became effective on filing; and no stop order suspending the effectiveness of such registration statement

or any part thereof has been issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Company, threatened by the Commission, and no notice of objection of the Commission to the use of such registration statement or any part thereof or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act has been received by the Company; in this agreement,

(i) the base prospectus filed as part of such registration statement, in the form in which it has most recently been filed with the Commission on or prior to the date of this Agreement, is called the “**Basic Prospectus**”;

(ii) any preliminary prospectus (including any preliminary prospectus supplement) relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act is called a “**Preliminary Prospectus**”;

(iii) such registration statement, as deemed revised pursuant to Rule 430B(f)(1) under the Act on the effective date of such registration statement for purposes of Section 11 of the Act (as such section applies to the Company and the Underwriters for the Securities pursuant to Rule 430B(f)(2) under the Act (the “**Effective Date**”)), including the exhibits thereto and all documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act at the Effective Date but excluding the Statement of Eligibility on Form T-1, is called the “**Registration Statement**”;

(iv) the Basic Prospectus, as amended and supplemented immediately prior to the Applicable Time (as defined in Section 1(d) hereof), including the Preliminary Prospectus Supplement relating to the Securities, is called the “**Pricing Prospectus**”;

(v) the form of the final prospectus relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof is called the “**Prospectus**”;

(vi) any reference to the Basic Prospectus, the Pricing Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of such prospectus;

(vii) any reference to any amendment or supplement to the Basic Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the form of prospectus contained in any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act and any documents filed under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and incorporated therein, in each case after the date of the Basic Prospectus, such Preliminary Prospectus, or the Prospectus, as the case may be;

(viii) any reference to any amendment to the Registration Statement shall be deemed to refer to and include any document of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and

(ix) any “issuer free writing prospectus” as defined in Rule 433(h) under the Act relating to the Securities (including the Final Term Sheet (as defined in Section 5(a) hereof) prepared and filed pursuant to Section 5(a)) is called an “**Issuer Free Writing Prospectus**”;

(b) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission;

(c) the Pricing Prospectus, at the time of filing thereof with the Commission, conformed in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”), and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein;

(d) For the purposes of this Agreement, the “Applicable Time” is 1:48 P.M. (Eastern time) on the date of this Agreement; the Pricing Prospectus, as supplemented by the Final Term Sheet prepared and filed pursuant to Section 5(a) hereof (together the “**Pricing Disclosure Package**”), as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein; no Issuer Free Writing Prospectus listed on Schedule II(a) hereto conflicted or will conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus; and no such Issuer Free Writing Prospectus, considered together with the Pricing Disclosure Package as of the Applicable Time, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to statements or omissions made in an Issuer Free Writing Prospectus in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein;

(e) The documents incorporated by reference in the Pricing Prospectus and the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission

thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein; and no such documents were filed with the Commission since the Commission's close of business on the business day immediately prior to the date of this Agreement and prior to the time of the execution and delivery of this Agreement, except as set forth on Schedule II (b) hereto;

(f) The Registration Statement conforms, and any further amendments or supplements to the Registration Statement will conform, in all material respects to the requirements of the Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder and do not and will not, as of the Effective Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein;

(g) The Prospectus and any amendments or supplements thereto, when filed with the Commission, will conform in all material respects to the requirements of the Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder, and the Prospectus and any amendments and supplements thereto, when they are filed with the Commission and at the Time of Delivery (as defined below), will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein;

(h) Except as set forth in or contemplated by the Pricing Prospectus, (i) since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, there has not been (A) any material adverse change in or affecting the business, financial condition, shareholders' equity or results of operations of the Company and its subsidiaries, considered as a whole, or any development reasonably expected to result in such a material adverse change (in each case, a "**Material Adverse Change**"), (B) any transaction entered into by the Company or any subsidiary thereof which is material to the Company and its subsidiaries as a

whole other than transactions in the ordinary course of business, and (C) any change in the capital stock or long-term debt of the Company or any of its subsidiaries (except for shares of common stock issued under the Company's Dividend-Reinvestment and Stock Purchase Plan and employee benefit plans and director and/or executive compensation plans and except for scheduled maturities of long-term debt) and (ii) neither the Company nor any of its subsidiaries has any contingent obligation which is material to the Company and its subsidiaries as a whole;

(i) The Company has been duly incorporated and is validly existing in good standing as a corporation under the laws of the State of Washington, is duly qualified to do business and in good standing as a foreign corporation under the laws of the States of Idaho, Montana and Oregon, and has corporate and other power and authority and has all material required approvals and authorizations to own, lease and operate its properties, and to transact an electric and/or gas public utility business in such jurisdictions;

(j) The Company has an authorized capitalization as set forth in the Pricing Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable;

(k) Avista Capital, Inc. ("**Avista Capital**") and Advantage IQ, Inc. ("**Advantage IQ**") each are duly incorporated and validly existing in good standing under the laws of the State of Washington and have corporate and other power and authority and have all material required approvals and authorizations to own, lease and operate their properties, and to transact their business;

(l) All of the issued shares of capital stock of Avista Capital and Advantage IQ have been duly and validly authorized and issued, are fully paid and non-assessable; the Company is the record and beneficial owner of all shares of capital stock of Avista Capital; 39,722,129 shares of Advantage IQ's capital stock are issued and outstanding (which shares consist entirely of common stock) and Avista Capital is the record and beneficial owner of 29,572,384 shares of such common stock; and the shares of capital stock of Avista Capital and Advantage IQ that are owned directly or indirectly by the Company are owned free and clear of all security interests, liens, encumbrances, equities and claims;

(m) This Agreement has been duly authorized, executed and delivered by the Company;

(n) The Securities have been duly authorized by all necessary corporate action on the part of the Company, and have been duly executed by the Company and, when duly authenticated and delivered by the Trustee under the Mortgage, and issued, delivered and paid for in accordance with this Agreement, will be duly issued and delivered by the Company and will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to (i) bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws of general applicability relating to or affecting creditors' rights and (ii)



general principles of equity, whether such enforceability is considered a proceeding in equity or at law, and by rules of law governing specific performance, injunction relief, foreclosure, receivership and other equitable remedies (the exceptions referred to in clauses (i) and (ii) being hereinafter called, collectively, the “**Exceptions**”), and are entitled to the benefits provided by the Mortgage; the Securities will be substantially in the form previously delivered to the Representatives; and the Securities will conform in all material respects to the description thereof contained in the Pricing Disclosure Package and the Prospectus;

(o) The Mortgage has been duly authorized and the Mortgage (excluding the Supplemental Indenture) has been duly executed and delivered; when the Supplemental Indenture is duly executed, delivered and appropriately recorded, the Mortgage will constitute a valid and legally binding instrument, enforceable in accordance with its terms, subject to the Exceptions and except, further, to the extent that the law of the states in which the mortgaged property is located may limit or deny certain remedies provided for in the Mortgage; the Mortgage has been duly qualified under the Trust Indenture Act; and the Mortgage will conform in all material respects to the description thereof contained in the Pricing Disclosure Package and the Prospectus;

(p) The Company has good and marketable title in fee simple to all of its real estate and fixed properties and good title to all of its other property, subject only (i) to the lien of the Mortgage, (ii) to leases of minor portions of the Company’s property to others for uses which do not interfere with the Company’s business, (iii) to leases of certain property of the Company not used in its utility business, (iv) to Excepted Encumbrances (as defined in the Mortgage) and (v) to encumbrances, defects and irregularities customarily found in properties of like size and character, which, in the Company’s opinion, do not materially impair the use of the property affected thereby in the operation of the business of the Company; upon the due execution, delivery and appropriate recording of the Supplemental Indenture, the Mortgage will constitute, subject only to the exceptions referred to in clauses (ii) through (v) above, a valid first mortgage lien for the security of the Securities and all other bonds issued and presently outstanding thereunder on such properties, which include substantially all of the physical properties and franchises of the Company other than those expressly excepted;

(q) The description in the Mortgage of the properties intended to be subject to the Mortgage is adequate to constitute a lien thereon; and the Mortgage (excluding the Supplemental Indenture) has been duly and properly recorded in the proper offices of the respective counties in which the real estate and other physical properties of the Company are located, and the Supplemental Indenture will be so recorded forthwith, and no other recording or filing of the Mortgage is or will be necessary to maintain, perfect or record the lien thereof;

(r) The issue and sale of the Securities and the compliance by the Company with all of the provisions of the Securities, the Mortgage and this Agreement and the consummation by the Company of the transactions herein and therein contemplated will not (i) violate the Company’s Restated Articles of Incorporation, as amended, or By-laws or (ii) result in a breach or violation of any of the terms or

provisions of, or constitute a default under, (A) any statute or, to the knowledge of the Company, any order, rule or regulation of any court or any federal or state regulatory authority or other governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (B) any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, which breach, violation or default referred to in this clause (ii) would individually, or in the aggregate, have, or would be reasonably expected to have, a material adverse effect on the business, financial condition, shareholders' equity or results of operations of the Company and its subsidiaries considered as a whole (in each case, a "**Material Adverse Effect**");

(s) The Washington Utilities and Transportation Commission (the "**WUTC**"), the Idaho Public Utilities Commission (the "**IPUC**") and the Public Utility Commission of Oregon (the "**OPUC**") have issued orders authorizing the issuance and sale by the Company of the Securities on the terms set forth in or contemplated by such orders; the Montana Public Service Commission (the "**MPSC**") has issued an order disclaiming jurisdiction over the issuance of securities and the creation of liens by the Company pursuant to, and on the terms set forth in such order (such order, collectively with the aforesaid orders of the WUTC, the IPUC and the OPUC, being hereinafter called the "**Commission Orders**"); the Commission Orders are in full force and effect as of the date hereof; and, except for (i) informational filings required under the Commission Orders, (ii) the registration of the Securities under the Act and (iii) such registrations, qualifications or other filings as may be required under state securities or Blue Sky laws in connection with the distribution of the Securities by the Underwriters, no further approval, authorization, consent or other order of or registration or other filing with or qualification by any court or governmental agency or body is required for the issuance and sale by the Company of the Securities or the consummation by the Company of the transactions contemplated by this Agreement or the Mortgage.

(t) None of the Company, Avista Capital and Advantage IQ is (i) currently in violation of its Restated Articles of Incorporation or By-laws or (ii) except as set forth in the Pricing Prospectus, in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, which default, in the case of clause (ii) would have, or would be reasonably expected to have, a Material Adverse Effect, except for any such default in the performance or observance of any such obligation, agreement, covenant or condition that has been waived in accordance with the applicable agreement;

(u) Other than as set forth in the Pricing Prospectus, neither the Company nor any of its subsidiaries (i) is in violation of any statute, or any rule, regulation, decision or order of any governmental agency or body or any court relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environmental or human exposure to hazardous or toxic

substances (collectively, “**environmental laws**”), (ii) does not own or operate any real property which to its knowledge is contaminated with any substance that is subject to any environmental laws, (iii) is not to its knowledge liable for any off-site disposal or contamination pursuant to any environmental laws, and (iv) is not subject to any claim relating to any environmental laws and the Company is not aware of any pending investigation which could reasonably be expected to lead to such a claim, which, in the case of (i), (ii), (iii), or (iv), would reasonably be expected to result in a Material Adverse Effect;

(v) The statements set forth in the Pricing Prospectus and the Prospectus under the captions “Description of the Offered Bonds” and “Description of the Bonds”, insofar as they purport to constitute a summary of the terms of the Securities, and under the caption “Underwriting”, insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate and fairly present the information purported to be given;

(w) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject, which, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect; and, to the best of the Company’s knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(x) The Company is not, and, after giving effect to the offering and sale of the Securities, will not be an “investment company”, as such term is defined in the United States Investment Company Act of 1940, as amended (the “**Investment Company Act**”);

(y)(A) (i) At the time of filing the Registration Statement, (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), and (iii) at the time the Company or any person acting on its behalf (within the meaning, for this clause only, of Rule 163(c) under the Act) made any offer relating to the Securities in reliance on the exemption of Rule 163 under the Act, the Company was a “well-known seasoned issuer” as defined in Rule 405 under the Act; and (B) at the earliest time after the filing of the Registration Statement that the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Securities, the Company was not an “ineligible issuer” as defined in Rule 405 under the Act;

(z) The Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;

(aa) The financial statements included or incorporated by reference in the Pricing Prospectus and the Prospectus present fairly in all material respects the

financial position, results of operations and cash flows of the Company at the respective dates and for the respective periods specified and, except as otherwise stated in the Pricing Prospectus and the Prospectus, such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved. The Company has no material contingent obligation which is not disclosed in the Pricing Prospectus and the Prospectus.

(bb) Deloitte & Touche LLP, who have audited certain financial statements of the Company and its subsidiaries and have audited the Company's internal control over financial reporting, is a registered public accounting firm, and is independent with respect to the Company and its subsidiaries, each within the meaning of the Exchange Act and the rules and regulations of the Commission thereunder and the rules and regulations of the Public Company Accounting Oversight Board;

(cc) The Company maintains internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that complies with the requirements of the Exchange Act and has been designed by the Company's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; the Company's internal control over financial reporting is effective; and the Company is not aware of any material weaknesses in its internal control over financial reporting;

(dd) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(ee) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply with the requirements of the Exchange Act and have been designed to ensure that material information relating to the Company and its subsidiaries is communicated to the Company's principal executive officer and principal financial officer. The Company's disclosure controls and procedures are effective.

2. Subject to the terms and conditions herein set forth, the Company agrees to issue and sell to each of the Underwriters, severally and not jointly, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price of 99.095% of the principal amount thereof, plus accrued interest, if any, from September 22, 2009 to the Time of Delivery hereunder, the principal amount of Securities set forth opposite the name of such Underwriter in Schedule I hereto.

3. Upon the authorization by the Representatives of the release of the Securities, the several Underwriters propose to offer the Securities for sale upon the terms and conditions set forth in this Agreement and the Prospectus.

4.(a) The Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global Securities in book-entry form to be deposited with The Depository Trust Company (“**DTC**”) or its designated custodian. The Company will deliver the global Securities to DTC or such custodian to be credited to the account of the Representatives, for the account of each Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same day) funds to the account specified by the Company to the Representatives, by causing DTC to credit the Securities to the account of the Representatives at DTC. The Company will cause the certificates representing the Securities to be made available to the Representatives for checking at least twenty-four hours prior to the Time of Delivery (as defined below) at the office of DTC or its designated custodian (the “**Designated Office**”). The time and date of such delivery and payment shall be 10:00 a.m., New York City time, on September 22, 2009 or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date are herein called the “**Time of Delivery**”; and

(b) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 8 hereof, including the cross receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 8(k) hereof, will be delivered at the offices of Dewey & LeBoeuf LLP, 1301 Avenue of the Americas, New York, New York 10019 (the “**Closing Location**”), and the Securities will be delivered at the Designated Office, all at the Time of Delivery. A meeting will be held at the Closing Location at 2:00 P.M., New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Agreement, “**New York Business Day**” shall mean each Monday, Tuesday, Wednesday, Thursday and Friday, which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission’s close of business on the second business day following the execution and delivery of this Agreement; to make no further amendment or any supplement to the Registration Statement, the Basic Prospectus or Prospectus prior to the last Time of Delivery which shall be reasonably disapproved by the Representatives promptly after reasonable notice thereof; to advise the Representatives, promptly after the Company receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish the Representatives with copies thereof; to prepare a final term sheet, containing solely the terms of the Securities (to the extent not contained in the Pricing Prospectus) and the terms of the offering thereof, in a form attached as Schedule III hereto (the “**Final Term Sheet**”), and to file such Final Term Sheet pursuant to Rule 433(d) under the Act within the time

required by such Rule; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required in connection with the offering or sale of the Securities; to advise the Representatives, promptly after the Company receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus, the Prospectus or other prospectus in respect of the Securities, of any notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto contemplated by Rule 401(g) (2) under the Act, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus, the Prospectus or other prospectus or suspending any such qualification, promptly to use all commercially reasonable efforts to obtain the withdrawal of such order; and in the event of any such issuance of a notice of objection, promptly to take such steps including, without limitation, amending the Registration Statement or filing a new registration statement, at its own expense, as may be necessary to permit offers and sales of the Securities by the Underwriters (references herein to the Registration Statement shall include any such amendment or new registration statement);

(b) Promptly from time to time to take such action as the Representatives may reasonably request to qualify the Securities for offering and sale under the securities laws of such jurisdictions as the Representatives may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) Prior to 10:00 a.m., New York City time, on the New York business day succeeding the date of this Agreement, or as soon thereafter as may be reasonably practicable, to furnish the Underwriters with written and electronic copies of the Prospectus in such quantities as the Representatives may from time to time reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Securities and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus or to file under the Exchange Act

any document incorporated by reference in the Prospectus in order to comply with the Act, the Exchange Act or the Trust Indenture Act, to notify the Representatives and upon their reasonable request to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many written and electronic copies as the Representatives may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(e) under the Act) in connection with sales of any of the Securities at any time nine months or more after the time of issue of the Prospectus, upon their request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as such Underwriter may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) covering a period of at least 12 months beginning after the later of (i) the effective date of the most recent post-effective amendment to the Registration Statement to become effective prior to the date of this Agreement and (ii) the date of the Company's most recent Annual Report on Form 10-K filed with the Commission prior to the date of this Agreement, which will satisfy the provisions of Section 11(a) of the Act and the rules and regulations thereunder including Rule 158;

(e) During the period beginning from the date hereof and continuing to and including the later of (i) the completion of the distribution of the Securities, as shall be promptly notified to the Company by the Representatives upon such completion, but in no event shall such period exceed 90 days from the Time of Delivery, and (ii) the Time of Delivery, not to offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any debt securities of the Company that are substantially similar to the Securities, without the prior written consent of the Representatives (it being understood that this paragraph shall not prohibit the issuance of commercial paper or other debt securities with scheduled maturities of less than one year, debt securities issued in connection with any credit facility, or debt securities issued as collateral for other obligations); and

(f) To use the net proceeds received by it from the sale of the Securities pursuant to this Agreement in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds"; and

(g) To pay the required Commission filing fees relating to the Securities within the time required by Rule 456(b)(1) under the Act without regard to the proviso therein and otherwise in accordance with rules 456(b) and 457(r) under the Act.

6. (a)(i) The Company represents and agrees that, other than the Final Term Sheet prepared and filed pursuant to Section 5(a) hereof, without the prior

consent of the Representatives, it has not made and will not make any offer relating to the Securities that would constitute a “free writing prospectus” as defined in Rule 405 under the Act;

(ii) each Underwriter represents and agrees that, without the prior consent of the Company and the Representatives, other than (x) one or more term sheets relating to the Securities containing customary information that do not require the Company to file any material pursuant to Rule 433(d) except for the Final Term Sheet prepared and filed pursuant to Section 5(a) hereof and (y) any Bloomberg L.L.P. or other electronic communication regarding comparable bond prices that does not require the Company to file any material pursuant to Rule 433(d), it has not made and will not make any offer relating to the Securities that would constitute a free writing prospectus; and

(iii) any such free writing prospectus the use of which has been consented to by the Company or the Representatives, as the case may be, is listed on Schedule II (a) hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus listed on Schedule II(a) hereto or of which the Company shall have knowledge, including timely filing with the Commission or retention where required and legending; and

(c) The Company agrees that if delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required at any time following the issuance of an Issuer Free Writing Prospectus listed on Schedule II(a) hereto and prior to the expiration of nine months after the Time of Delivery, and if, at such time, any event occurred or occurs as a result of which such Issuer Free Writing Prospectus would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, then the Company will give prompt notice thereof to the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus or other document which will correct such conflict, statement or omission; *provided, however*, that this covenant shall not apply to any statements or omissions in an Issuer Free Writing Prospectus made in reliance upon and in conformity with information furnished by an Underwriter for use therein.

7. The Company hereby covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company’s counsel and accountants in connection with the registration of the Securities under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any preliminary prospectus, the Basic Prospectus, the Pricing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing this Agreement, any supplemental indenture under the Mortgage, any “Blue Sky” survey, closing documents (including any



compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) any expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any "Blue Sky" survey, if any; (iv) any fees charged by securities rating services for rating the Securities; (v) any filing fees incident to, and the fees and disbursements of counsel for the Underwriters in connection with any required review by the Financial Industry Regulatory Authority of the terms of the sale of the Securities; (vi) the cost of preparing the Securities; (vii) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with any supplemental indenture under the Mortgage and the Securities; and (viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, and Sections 9 and 12 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, transfer taxes on resale of any of the Securities by them, and any advertising expenses connected with any offers they may make.

8. The obligations of the Underwriters hereunder shall be subject, in the discretion of the Representatives, to the condition that all representations and warranties and other statements of the Company herein are, as of the date hereof, at and as of the Applicable Time and at and as of the Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; the Final Term Sheet contemplated by the Section 5(a) hereof, and any other material required to be filed by the Company pursuant to Rule 433 (d) under the Act, shall have been filed with the Commission within the applicable time periods prescribed for such filings by Rule 433; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission and no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act shall have been received; no stop order suspending or preventing the use of the Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representatives;

(b) There shall have been issued and there shall be in full force and effect, (i) appropriate orders of the WUTC, the IPUC and the OPUC, permitting the issuance and sale of the Securities on the terms herein set forth or contemplated, and containing no provision reasonably unacceptable to the Representatives, it being understood that no such order in effect on the date of this Agreement contains any such unacceptable provision, and (ii) an appropriate exemptive order of the MPSC;

(c) Latham & Watkins LLP, counsel for the Underwriters, shall have furnished to the Representatives such written opinion and a negative assurance letter, dated the Time of Delivery, with respect to the incorporation of the Company, the Mortgage, the Securities, the Registration Statement, the Pricing Disclosure Package and the Prospectus, as well as such other related matters as the Representatives may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(d) Marian M. Durkin, Esq., Senior Vice President, General Counsel and Chief Compliance Officer of the Company, shall have furnished to the Representatives her written opinion, dated the Time of Delivery, to the effect set forth in Exhibit A hereto;

(e) Dewey & LeBoeuf LLP, counsel to the Company, shall have furnished to the Representatives its written opinion, dated the Time of Delivery, to the effect set forth in Exhibit B hereto;

(f) On the date of this Agreement, at or prior to the time of the execution and delivery hereof, and at the Time of Delivery, Deloitte & Touche LLP shall have furnished to the Representatives letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representatives;

(g) Except as set forth in or contemplated by the Pricing Prospectus and the Prospectus, (i) since the respective dates as of which information is given in the Pricing Prospectus and the Prospectus there shall not have been (A) any Material Adverse Change, (B) any transaction entered into by the Company or any subsidiary thereof which is material to the Company and its subsidiaries as a whole other than transactions in the ordinary course of business, or (C) any change in the capital stock or long-term debt of the Company or any of its subsidiaries (except for shares of Common Stock issued under the Company's Dividend-Reinvestment and Stock Purchase Plan, employee benefit plans and director and/or executive compensation plans and except for scheduled maturities of long-term debt) and (ii) neither the Company nor any of its subsidiaries shall have any contingent obligation which is material to the Company and its subsidiaries as a whole, the effect of which, in the case of any such event specified in clauses (i) or (ii) above, is in the judgment of the Representatives, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or delivery of the Securities on the terms and in the manner contemplated in this Agreement or in the Prospectus;

(h) On or after the Applicable Time (i) no downgrading shall have occurred in the rating accorded the Company's debt securities or preferred stock by any "nationally recognized statistical rating organization", as such term is defined by the Commission for purposes of Rule 436(g)(2) under the Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities or preferred stock;

(i) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on any securities exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; or (iv) the outbreak of hostilities or the escalation of existing hostilities involving the United States or the declaration by the United States of a national emergency or war, or the occurrence of any other national or international calamity or crises, including without limitation, acts of terrorism, or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in this clause (iv), in the judgment of the Representatives, makes it impracticable or inadvisable to proceed with the public offering or delivery of the Securities on the terms and in the manner contemplated in the Prospectus;

(j) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses;

(k) The Company shall have obtained an endorsement to the policy of title insurance updating the description of the property covered thereby, which complies with all applicable laws and regulations, naming the Trustee (on behalf of the holders of all securities issued and outstanding under the Mortgage) as the insured (without a co-insurance exception), such policy, as so endorsed, being in an amount not less than \$785,000,000 and covering all real estate and improvements affixed thereto that are subject to the lien created by the Mortgage.

(l) The Company shall have furnished or caused to be furnished to the Representatives at the Time of Delivery certificates of officers of the Company satisfactory to the Representatives as to the accuracy of the representations and warranties of the Company herein at and as of the Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in subsections (a) and (g) of this Section and as to such other matters as the Representatives may reasonably request.

9.(a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus, the Prospectus, or any amendment or supplement thereto or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements

therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by the Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; *provided, however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus, the Prospectus, or any such amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives expressly for use therein;

(b) Each Underwriter, severally but not jointly, will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus, the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus, the Prospectus, or any such amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives expressly for use therein; and each Underwriter will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred;

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the foregoing, in any such

proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The indemnifying party shall not, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. The indemnified party shall not, without the written consent of the indemnifying party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any such pending or threatened action or claim;

(d) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of

allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall, except as limited by subsection (c) above, be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint; and

(e) The obligations of the Company under this Section 9 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls an Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 9 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act.

10.(a) If any Underwriter shall default in its obligation to purchase the Securities which it has agreed to purchase hereunder at a Time of Delivery, the Representatives may in their discretion arrange for themselves (or any of them) or another party or other parties to purchase such Securities on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Representatives do not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties reasonably satisfactory to the Representatives to purchase such Securities on such terms. In the event that, within the respective prescribed periods, the Representatives notify the Company that they have so arranged for the purchase of such Securities, or the Company notifies the Representatives that it has so arranged for the purchase of such Securities, the Representatives or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which, in the reasonable judgment of the Representatives, may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section 10 with like effect as if such person had originally been a party to this Agreement with respect to such Securities;

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased does not exceed one-tenth of the aggregate principal amount of all the Securities to be purchased at the Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Securities which such Underwriter agreed to purchase hereunder at the Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its *pro rata* share (based on the principal amount of Securities which such Underwriter agreed to purchase hereunder) of the Securities which such defaulting Underwriter or Underwriters had agreed to purchase for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default; and

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased exceeds one-tenth of the aggregate principal amount of all the Securities to be purchased at the Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Securities of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 7 hereof and the indemnity and contribution agreements in Section 9 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

11. The respective indemnities, agreements, representations, warranties and other statements of the Company and the Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Securities.

12. If this Agreement shall be terminated pursuant to Section 10 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 7 and 9 hereof, but if this Agreement is not consummated for any other reason, the Company will reimburse the Underwriters for all out-of-pocket expenses approved in writing by the Representatives, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities, but the Company shall then be under no further liability to the Underwriter except as provided in Sections 7 and 9 hereof.

13. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement made or given by the Representatives purportedly on behalf of any Underwriter.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to the Representatives in care of UBS Securities LLC, 677 Washington Boulevard, Stamford, Connecticut 06901, Attention: Fixed Income Syndicate; and if to the Company shall be delivered or sent by mail to the address of the Company set forth in the Registration Statement, Attention: Treasurer; Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

14. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 9 and 11 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from the Underwriter shall be deemed a successor or assign by reason merely of such purchase.

15. The Company acknowledges and agrees that (i) the purchase and sale of the Securities pursuant to this Agreement is an arm's-length commercial transaction between the Company, on the one hand, and the Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not the agent or fiduciary of the Company, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) or any other obligation to the Company with respect to the offering contemplated hereby or the process leading thereto except the obligations expressly set forth in this Agreement and (iv) the Company has consulted its own legal and financial advisors to the extent it deemed appropriate. The Company agrees that it will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, in connection with the offering contemplated hereby or the process leading thereto.

16. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Underwriters, or any of them, with respect to the subject matter hereof.

17. The Company and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

18. Time shall be of the essence of this Agreement.



19. **This Agreement shall be governed by and construed in accordance with the laws of the State of New York and any exercise of remedies under this Agreement shall be governed by the laws of the State of New York, in each case including, without limitation, Section 5-1401 of the New York General Obligation Law.**

20. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us 8 counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this Agreement and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company. It is understood that the acceptance by you of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in the Agreement Among Underwriters, a copy of which shall be submitted to the Company for examination, but without warranty on the part of the Representatives as to the authority of the signers thereof (other than the Representatives).

Very truly yours,

AVISTA CORPORATION

By: /s/ Jason Thackston  
Name: Jason Thackston  
Title: Vice President

Accepted as of the date hereof:

UBS SECURITIES LLC  
J.P. MORGAN SECURITIES INC.

By UBS SECURITIES LLC

By: /s/ Scott Whitney

Name: Scott Whitney

Title: Managing Director

By: /s/ Mark Spaddacini

Name: Mark Spaddacini

Title: Associate Director, Debt Capital Markets

On behalf of each of the Underwriters

**Schedule I**

<u>Underwriter</u>	<u>Principal Amount of Securities to be Purchased</u>
UBS Securities LLC	\$ 75,000,000
J.P. Morgan Securities Inc.	75,000,000
Banc of America Securities LLC	18,750,000
KeyBanc Capital Markets Inc.	18,750,000
Mitsubishi UFJ Securities (USA), Inc.	18,750,000
Wells Fargo Securities, LLC	18,750,000
Comerica Securities, Inc.	12,500,000
U.S. Bancorp Investments, Inc.	12,500,000
Total	<u>\$ 250,000,000</u>

---

**Schedule II**

**(a) Issuer Free Writing Prospectuses not included in the Pricing Disclosure Package:**

**None**

**(b) Additional Documents Incorporated by Reference:**

**None**

## Final Term Sheet

Issuer:	Avista Corporation
Issue:	First Mortgage Bonds, 5.125% Series due 2022
Ratings*:	Baa1/BBB+/BBB+ (positive/positive/stable)
Offering Size:	\$250,000,000
Coupon:	5.125%
Trade Date:	September 15, 2009
Settlement Date:	September 22, 2009 (T+5)
Stated Maturity:	April 1, 2022
Spread to Benchmark Treasury:	T+170 bps
Yield to Maturity:	5.150%
Benchmark Treasury Yield:	3.450%
Benchmark Treasury:	3.625% due August 15, 2019
Initial Public Offering Price:	99.770%
Proceeds to Issuer (before expenses):	\$247,737,500
Optional Redemption:	Make-Whole Call, 30 bps spread over U.S. Treasuries
Interest Payment Dates:	Semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2010
Cusip:	05379B AP2
Joint Bookrunners:	UBS Securities LLC J.P. Morgan Securities Inc.
Senior Co-Managers:	Banc of America Securities LLC KeyBanc Capital Markets Inc. Mitsubishi UFJ Securities (USA), Inc. Wells Fargo Securities, LLC
Co-Managers:	Comerica Securities, Inc. U.S. Bancorp Investments, Inc.

\* Note: A security rating is not a recommendation to buy, sell or hold securities. Each rating is subject to revision or withdrawal at any time by the assigning rating organization. Each security rating agency has its own methodology for assigning ratings, and, accordingly, each rating should be considered independently of all other ratings.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling UBS Securities LLC toll-free at 1-877-827-6444, extension 561-3884 or J.P. Morgan Securities Inc. at 212-834-4533.

[Form of Opinion of Marian M. Durkin, Esq.]

(text omitted)

A-1

[Form of Opinion of Dewey & LeBoeuf LLP]

(text omitted)

B-1



**AVISTA CORPORATION**

**TO**

**CITIBANK, N.A.**

*As Successor Trustee under  
Mortgage and Deed of Trust,  
dated as of June 1, 1939*

---

**Forty-sixth Supplemental Indenture**

*Providing among other things for a series of bonds designated  
“First Mortgage Bonds, 5.125% Series due 2022”  
Due April 1, 2022  
and  
certain amendments to said Mortgage and Deed of Trust*

---

Dated as of September 1, 2009

---

## FORTY-SIXTH SUPPLEMENTAL INDENTURE

**THIS INDENTURE**, dated as of the 1st day of September, 2009, between AVISTA CORPORATION (formerly known as The Washington Water Power Company), a corporation of the State of Washington, whose post office address is 1411 East Mission Avenue, Spokane, Washington 99202 (the “Company”), and CITIBANK, N.A., formerly First National City Bank (successor by merger to First National City Trust Company, formerly City Bank Farmers Trust Company), a national banking association incorporated and existing under the laws of the United States of America, whose post office address is 388 Greenwich Street – 14<sup>th</sup> Floor, New York, New York 10013 (the “Trustee”), as Trustee under the Mortgage and Deed of Trust, dated as of June 1, 1939 (the “Original Mortgage”), executed and delivered by the Company to secure the payment of bonds issued or to be issued under and in accordance with the provisions thereof, this indenture (the “Forty-sixth Supplemental Indenture”) being supplemental to the Original Mortgage, as heretofore supplemented and amended.

WHEREAS pursuant to a written request of the Company made in accordance with Section 103 of the Original Mortgage, Francis M. Pitt (then Individual Trustee under the Original Mortgage, as supplemented) ceased to be a trustee thereunder on July 23, 1969, and all of his powers as Individual Trustee have devolved upon the Trustee and its successors alone; and

WHEREAS by the Original Mortgage the Company covenanted that it would execute and deliver such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Original Mortgage and to make subject to the lien of the Original Mortgage any property thereafter acquired intended to be subject to the lien thereof; and

WHEREAS the Company has heretofore executed and delivered, in addition to the Original Mortgage, the indentures supplemental thereto, and has issued the series of bonds, set forth in Exhibit A hereto (the Original Mortgage, as supplemented and amended by the First through Forty-fifth Supplemental Indentures being herein sometimes called the “Mortgage”); and

WHEREAS the Original Mortgage and the First through Forty-second Supplemental Indentures have been appropriately filed or recorded in various official records in the States of Washington, Idaho, Montana and Oregon, as set forth in the First through Forty-third Supplemental Indentures; and

WHEREAS the Forty-third Supplemental Indenture, dated as of November 1, 2008, the Forty-fourth Supplemental Indenture, dated as of December 1, 2008, and the Forty-fifth Supplemental Indenture, dated as of December 1, 2008, have been appropriately filed or recorded in the various official records in the States of Washington, Idaho, Montana and Oregon set forth in Exhibit B hereto; and

WHEREAS for the purpose of confirming or perfecting the lien of the Mortgage on certain of its properties, the Company has heretofore executed and delivered a Short Form Mortgage and Security Agreement, in multiple counterparts dated as of various dates in 1992, and such instrument has been appropriately filed or recorded in the various official records in the States of Montana and Oregon; and

WHEREAS for the purpose of confirming or perfecting the lien of the Mortgage on certain of its properties, the Company has heretofore executed and delivered an Instrument of Further Assurance dated as of December 15, 2001, and such instrument has been appropriately filed or recorded in the various official records in the States of Washington, Idaho, Montana and Oregon; and

WHEREAS in addition to the property described in the Mortgage the Company has acquired certain other property, rights and interests in property; and

WHEREAS, Section 120 of the Original Mortgage, as heretofore amended, provides that, without the consent of any holders of bonds, the Company and the Trustee, at any time and from time to time, may enter into indentures supplemental to the Original Mortgage for various purposes set forth therein, including, without limitation, to cure ambiguities or correct defective or inconsistent provisions or to make other changes therein that shall not adversely affect the interests of the holders of bonds of any series in any material respect or to establish the form or terms of bonds of any series as contemplated by Article II.

WHEREAS, the Company now desires to amend certain provisions of the Original Indenture relating to, among other things, the establishment of series of bonds and the terms thereof, as contemplated in Article II hereof and Exhibit E hereto;

WHEREAS Section 8 of the Original Mortgage, as heretofore and to be hereby amended, provides that the form of each series of bonds (other than the First Series) issued thereunder and of the coupons to be attached to coupon Bonds of such series shall be established by Resolution of the Board of Directors of the Company or by Treasurer's Certificate, or shall be set forth in an indenture supplemental to the Original Mortgage; that the form of such series, as so established, shall specify the descriptive title of the bonds and various other terms thereof; and that any such series may also contain such provisions not inconsistent with the provisions of the Mortgage as the Company may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS the Company further desires to create a new series of bonds; and

WHEREAS all corporate action necessary to authorize the execution and delivery by the Company of this Forty-sixth Supplemental Indenture and the issuance by

the Company of the Bonds of the Forty-sixth Series, hereinafter referred to, has been taken; and all things necessary to make this Forty-sixth Supplemental Indenture a valid, binding and legal instrument have been performed;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That the Company, in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, hereby confirms the estate, title and rights of the Trustee (including, without limitation, the lien of the Mortgage on the property of the Company subjected thereto, whether now owned or hereafter acquired) held as security for the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage according to their tenor and effect and the performance of all the provisions of the Mortgage and of such bonds, and, without limiting the generality of the foregoing, hereby confirms the grant, bargain, sale, release, conveyance, assignment, transfer, mortgage, pledge, setting over and confirmation unto the Trustee, contained in the Mortgage, of all the following described properties of the Company, whether now owned or hereafter acquired, namely:

All of the property, real, personal and mixed, of every character and wheresoever situated (except any hereinafter or in the Mortgage expressly excepted) which the Company now owns or, subject to the provisions of Section 87 of the Original Mortgage, may hereafter acquire prior to the satisfaction and discharge of the Mortgage, as fully and completely as if herein or in the Mortgage specifically described, and including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in Mortgage) all lands, real estate, easements, servitudes, rights of way and leasehold and other interests in real estate; all rights to the use or appropriation of water, flowage rights, water storage rights, flooding rights, and other rights in respect of or relating to water; all plants for the generation of electricity, power houses, dams, dam sites, reservoirs, flumes, raceways, diversion works, head works, waterways, water works, water systems, gas plants, steam heat plants, hot water plants, ice or refrigeration plants, stations, substations, offices, buildings and other works and structures and the equipment thereof and all improvements, extensions and additions thereto; all generators, machinery, engines, turbines, boilers, dynamos, transformers, motors, electric machines, switchboards, regulators, meters, electrical and mechanical appliances, conduits, cables, pipes and mains; all lines and systems for the transmission and distribution of electric current, gas, steam heat or water for any purpose; all towers, mains, pipes, poles, pole lines, conduits, cables, wires, switch racks, insulators, compressors, pumps, fittings, valves and connections; all motor vehicles and automobiles; all tools, implements, apparatus, furniture, stores, supplies and equipment; all franchises (except the Company's franchise to be a corporation), licenses,

permits, rights, powers and privileges; and (except as hereinafter or in the Mortgage expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature.

The property so conveyed or intended to be so conveyed under the Mortgage shall include, but shall not be limited to, the property set forth in Exhibit C hereto, the particular description of which is intended only to aid in the identification thereof and shall not be construed as limiting the force, effect and scope of the foregoing.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Original Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

THE COMPANY HEREBY CONFIRMS that, subject to the provisions of Section 87 of the Original Mortgage, all the property, rights, and franchises acquired by the Company after the date thereof (except any hereinbefore or hereinafter or in the Mortgage expressly excepted) are and shall be as fully embraced within the lien of the Mortgage as if such property, rights and franchises had been owned by the Company at the date of the Original Mortgage and had been specifically described therein.

PROVIDED THAT the following were not and were not intended to be then or now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed under the Mortgage and were, are and shall be expressly excepted from the lien and operation of the Mortgage, namely: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, paid, deposited or delivered under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business or for consumption in the operation of any properties of the Company; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; (4) electric energy and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; and (5) any property heretofore released pursuant to any provisions of the Mortgage and not heretofore disposed of by the Company; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event that the Trustee or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XII of the Original Mortgage by reason of the occurrence of a Completed Default as defined in said Article XII.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company in the Mortgage as aforesaid, or intended so to be, unto the Trustee, and its successors, heirs and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as set forth in the Mortgage, this Forty-sixth Supplemental Indenture being supplemental to the Mortgage.

AND IT IS HEREBY FURTHER CONFIRMED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage shall affect and apply to the property in the Mortgage described and conveyed, and to the estates, rights, obligations and duties of the Company and the Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors in the trust, in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Original Mortgage, and had been specifically and at length described in and conveyed to said Trustee by the Original Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustee and its successor or successors in such trust under the Mortgage, as follows:

## **ARTICLE I**

### **Forty-sixth Series of Bonds**

SECTION 1. (I) There shall be a series of bonds designated "First Mortgage Bonds, 5.125% Series due 2022" (herein sometimes referred to as the "Bonds of the Forty-sixth Series"), each of which shall also bear the descriptive title First Mortgage Bond, and the form thereof is set forth on Exhibit D hereto. The Bonds of the Forty-sixth Series shall be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of the Company, any amount in excess thereof (the exercise of such option to be evidenced by the execution and delivery thereof) and shall be dated as in Section 10 of the Original Mortgage provided.

The Bonds of the Forty-sixth Series shall mature, shall bear interest and shall be payable as set forth below:

(a) the principal of Bonds of the Forty-sixth Series shall (unless theretofore paid) be payable on the Stated Maturity Date (as hereinafter defined);

(b) the Bonds of the Forty-sixth Series shall bear interest at the rate of five and one hundred twenty-five one-thousandths percentum (5.125%) per annum; interest on such Bonds shall accrue from and including September 22, 2009, except as otherwise provided in the form of bond attached hereto as Exhibit D; interest on such Bonds shall be payable on each Interest Payment Date and at Maturity (as each of such terms is hereafter defined); and interest on such Bonds during any period for which payment is made shall be computed on the basis of a 360-day year consisting of twelve 30-days months;

(c) the principal of and premium, if any, and interest on each Bond of the Forty-sixth Series payable at Maturity shall be payable upon presentation thereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency as at the time of payment is legal tender for public and private debts. The interest on each Bond of the Forty-sixth Series (other than interest payable at Maturity) shall be payable by check, in similar coin or currency, mailed to the registered owner thereof as of the close of business on the Record Date (as hereinafter defined) next preceding each Interest Payment Date; provided, however, that if such registered owner shall be a securities depository, such payment may be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such registered owner.

(d) the Bonds of the Forty-sixth Series shall be redeemable in whole at any time, or in part from time to time, at the option of the Company at a redemption price equal to the greater of

(i) 100% of the principal amount of the Bonds being redeemed, and

(ii) the sum of the present values of the remaining scheduled payments of principal of and interest (not including any portion of any scheduled payment of interest which accrued prior to the redemption date) on the Bonds being redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Yield (as hereinafter defined) plus 30 basis points,

plus, in the case of either (i) or (ii) above, whichever is applicable, accrued and unpaid interest on such Bonds to the date of redemption.

(e)(i) "*Treasury Yield*" means, with respect to any redemption of Bonds of the Forty-sixth Series, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price. The Treasury

Yield shall be calculated as of the third business day preceding the redemption date or, if the Bonds to be redeemed are to be caused to be deemed to have been paid within the meaning of Section 106 of the Original Mortgage, as amended, prior to the redemption date, then as of the third business day prior to the earlier of (x) the date notice of such redemption is mailed to bondholders pursuant to Section 52 of the Original Mortgage, as amended, and (y) the date irrevocable arrangements with the Trustee for the mailing of such notice shall have been made, as the case may be (the "Calculation Date").

(ii) "*Comparable Treasury Issue*" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Bonds of the Forty-sixth Series that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Bonds.

(iii) "*Comparable Treasury Price*" means (A) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding the Calculation Date, as set forth in the H.15 Daily Update of the Federal Reserve Bank of New York or (B) if such release (or any successor release) is not published or does not contain such prices on such business day, the Reference Treasury Dealer Quotation for the Calculation Date.

(iv) "*H.15(519)*" means the weekly statistical release entitled "Statistical Release H.15 (519)", or any successor publication, published by the Board of Governors of the Federal Reserve System.

(v) "*H.15 Daily Update*" means the daily update of H.15(519) available through the worldwide website of the Board of Governors of the Federal Reserve System or any successor site or publication.

(vi) "*Independent Investment Banker*" means UBS Securities LLC or J. P. Morgan Securities Inc. or, if so determined by the Company, any other independent investment banking institution of national standing appointed by the Company and reasonably acceptable to the Trustee.

(vii) "*Reference Treasury Dealer Quotation*" means, with respect to the Reference Treasury Dealer, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount and quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding the Calculation Date).



(viii) “*Reference Treasury Dealer*” means a primary U.S. Government securities dealer in the United States appointed by the Company and reasonably acceptable to the Trustee.

(II)(a) At the option of the registered owner, any Bonds of the Forty-sixth Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

The Bonds of the Forty-sixth Series shall be transferable, upon the surrender thereof for cancellation, together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

Notwithstanding the foregoing, the Company shall not be required to make any transfer or exchange of any Bonds of the Forty-sixth Series for a period of 10 days next preceding any Interest Payment Date or any selection of such Bonds for redemption, nor shall it be required to make transfers or exchange of any Bonds of the Forty-sixth Series which shall have been selected for redemption in whole or in part.

Upon any exchange or transfer of Bonds of the Forty-sixth Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Original Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of Bonds of the Forty-sixth Series and no other charge shall be made.

(b) The Bonds of the Forty-sixth Series are initially to be issued in global form, registered in the name of Cede & Co., as nominee for The Depository Trust Company (the “Depository”). Notwithstanding the provisions of subdivision (a) above, such Bonds shall not be transferable, nor shall any purported transfer be registered, except as follows:

(i) such Bonds may be transferred in whole, and appropriate registration of transfer effected, to the Depository, or by the Depository to another nominee thereof, or by any nominee of the Depository to any other nominee thereof, or by the Depository or any nominee thereof to any successor securities depository or any nominee thereof;

(ii) such Bonds may be transferred in whole, and appropriate registration of transfer effected, to the beneficial holders thereof, and thereafter shall be transferable, if:

(A) The Depository, or any successor securities depository, shall have notified the Company and the Trustee that (I) it is unwilling or unable to continue to act as securities depository with respect to such Bonds or (II) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the identity of a successor securities depository with respect to such Bonds; or

(B) the Company shall have delivered to the Trustee a written order to the effect that such Bonds shall be so transferable on and after a date specified therein.

The Bonds of the Forty-sixth Series, when in global form, shall bear a legend as to such global form and the foregoing restrictions on transfer substantially as set forth below:

This global bond is held by Cede & Co., as nominee for The Depository Trust Company (the "Depository") for the benefit of the beneficial owners hereof. This bond may not be transferred, nor may any purported transfer be registered, except that (i) this bond may be transferred in whole, and appropriate registration of transfer effected, if such transfer is by Cede & Co., as nominee for the Depository, to the Depository, or by the Depository to another nominee thereof, or by any nominee of the Depository to any other nominee thereof, or by the Depository or any nominee thereof to any successor bond depository or any nominee thereof; and (ii) this bond may be transferred, and appropriate registration of transfer effected, to the beneficial holders hereof, and thereafter shall be transferable without restrictions (except as provided in the preceding paragraph) if: (A) the Depository, or any successor securities depository, shall have notified the Company and the Trustee that (I) it is unwilling or unable to continue to act as securities depository with respect to this bond or (II) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the identity of a successor securities depository with respect to this bond; or (B) the Company shall have delivered to the Trustee a written order to the effect that this bond shall be so transferable on and after a date specified therein.

(III) For all purposes of this Forty-sixth Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires, the terms listed below, when used with respect to the Bonds of the Forty-sixth Series, shall have the meanings specified below:

*"Interest Payment Date"* means April 1 and October 1 in each year, commencing April 1, 2010.

“*Maturity*” means the date on which the principal of the Bonds of the Forty-sixth Series becomes due and payable, whether at the Stated Maturity Date, upon redemption or acceleration, or otherwise.

“*Record Date*”, with respect to any Interest Payment Date, means the March 15 or September 15, as the case may be, next preceding such Interest Payment Date.

“*Stated Maturity Date*” means April 1, 2022.

(IV) Notwithstanding the provisions of Section 106 of the Original Mortgage, as amended, the Company shall not cause any Bonds of the Forty-sixth Series, or any portion of the principal amount thereof, to be deemed to have been paid as provided in such Section and its obligations in respect thereof to be deemed to be satisfied and discharged prior to the Maturity thereof unless the Company shall deliver to the Trustee either:

(a) an instrument wherein the Company, notwithstanding the effect of Section 106 of the Original Mortgage, as amended, in respect of such Bonds, shall assume the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee such additional sums of money, if any, or additional government obligations (meeting the requirements of Section 106), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or government obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Bonds or portions thereof, all in accordance with and subject to the provisions of Section 106; provided, however, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent accountant showing the calculation thereof (which opinion shall be obtained at the expense of the Company); or

(b) an Opinion of Counsel to the effect that the holders of such Bonds, or portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company’s indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected.

(V) The Bonds of the Forty-sixth Series shall have such further terms as are set forth in Exhibit D hereto. If there shall be a conflict between the terms of the form of bond and the provisions of the Mortgage, the provisions of the Mortgage shall control to the extent permitted by law.

(VI) Upon the delivery of this Forty-sixth Supplemental Indenture, Bonds of the Forty-sixth Series in an aggregate principal amount of \$250,000,000 are to be authenticated and delivered, upon the basis of retired bonds, and will be Outstanding, in addition to \$1,421,700,000 aggregate principal amount of bonds of prior series Outstanding at the date of delivery of this Forty-sixth Supplemental Indenture; it being understood that, subject to the provisions of the Mortgage, there shall be no limit under the Mortgage upon the aggregate principal amount of Bonds of the Forty-sixth Series which may be authenticated and delivered hereunder.

## **ARTICLE II**

### **Amendments of Original Mortgage**

SECTION 1. The Original Mortgage, as heretofore amended, is hereby further amended as set forth in Exhibit E hereto, and the amendments set forth in Exhibit E shall be deemed to become effective immediately prior to the effectiveness of the provisions of Article I hereof establishing the Bonds of the Forty-sixth Series.

## **ARTICLE III**

### **Miscellaneous Provisions**

SECTION 1. The terms defined in the Original Mortgage shall, for all purposes of this Forty-sixth Supplemental Indenture, have the meanings specified in the Original Mortgage.

SECTION 2. The Trustee hereby confirms its acceptance of the trusts in the Original Mortgage declared, provided, created or supplemented and agrees to perform the same upon the terms and conditions in the Original Mortgage set forth, including the following:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Forty-sixth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. Each and every term and condition contained in Article XVI of the Original Mortgage, shall apply to and form part of this Forty-sixth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Forty-sixth Supplemental Indenture.

SECTION 3. Whenever in this Forty-sixth Supplemental Indenture either of the parties hereto is named or referred to, this shall, subject to the provisions of Articles XV and XVI of the Original Mortgage be deemed to include the successors and assigns of such party, and all the covenants and agreements in this Forty-sixth Supplemental Indenture contained by or on behalf of the Company, or by or on behalf of the Trustee, or either of them, shall, subject as aforesaid, bind and inure to the respective benefits of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 4. Nothing in this Forty-sixth Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto, the holders of the bonds Outstanding under the Mortgage, any right, remedy or claim under or by reason of this Forty-sixth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Forty-sixth Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds Outstanding under the Mortgage.

SECTION 5. This Forty-sixth Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6. The titles of the several Articles of this Forty-sixth Supplemental Indenture shall not be deemed to be any part thereof.

IN WITNESS WHEREOF, on the 10<sup>th</sup> day of September, 2009, AVISTA CORPORATION has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Corporate Secretary or one of its Assistant Corporate Secretaries for and in its behalf, all in The City of Spokane, Washington, as of the day and year first above written; and on the 1<sup>st</sup> day of September, 2009, CITIBANK, N.A., has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents or one of its Senior Trust Officers or one of its Trust Officers and its corporate seal to be attested by one of its Vice Presidents or one of its Trust Officers, all in The City of New York, New York, as of the day and year first above written.

AVISTA CORPORATION

By: /s/ Jason R. Thackston

Name: Jason R. Thackston

Title: Vice President

[CORPORATE SEAL]

Attest:

/s/ Susan Y. Fleming

Name: Susan Y. Fleming

Title: Assistant Corporate Secretary

Executed, sealed and delivered  
by AVISTA CORPORATION  
in the presence of:

/s/ Diane C. Thoren

Name: Diane C. Thoren

/s/ Damien Lysiak

Name: Damien Lysiak

By: /s/ Wafaa Orfy

Name: Wafaa Orfy

Title: Vice President

Corporate Stamp

[CORPORATE STAMP]

Attest:

/s/ Marian O'Connor

Name: Marian O'Connor

Title: Vice President

Executed, sealed and delivered  
by CITIBANK, N.A.,  
as trustee, in the presence of:

/s/ John Hannon

Name: John Hannon

/s/ Louis Piscitelli

Name: Louis Piscitelli

STATE OF WASHINGTON        )  
  ) ss.:  
COUNTY OF SPOKANE        )

On the 10<sup>th</sup> day of September, 2009, before me personally appeared Jason R. Thackston, to me known to be a Vice President of AVISTA CORPORATION, one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

On the 10<sup>th</sup> day of September, 2009, before me, a Notary Public in and for the State and County aforesaid, personally appeared Jason R. Thackston, known to me to be a Vice President of AVISTA CORPORATION, one of the corporations that executed the within and foregoing instrument and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

/s/ Anita L. Swanson  
Notary Public

Notary Public  
State of Washington  
Anita L. Swanson  
My Commission Expires  
June 17, 2013

Anita L. Swanson  
State of Washington  
Notary Public  
Commission Expires: June 17, 2013



STATE OF NEW YORK            )  
  ) ss.:  
COUNTY OF NEW YORK        )

On the 1<sup>st</sup> day of September, 2009 before me personally appeared Wafaa Orfy, to me known to be a Vice President of CITIBANK, N.A., one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Corporation for the uses and purposes therein mentioned and on oath stated that she was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

On the 1<sup>st</sup> day of September, 2009, before me, a Notary Public in and for the State and County aforesaid, personally appeared Wafaa Orfy, known to me to be a Vice President of CITIBANK, N.A., one of the corporations that executed the within and foregoing instrument and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

/s/ Zenaida Santiago  
Notary Public

Notary Stamp

Zenaida Santiago  
Notary Public – State of New York  
No. 01SA6152564  
Qualified in Kings County  
Commission Expires: September 18, 2010

## MORTGAGE, SUPPLEMENTAL INDENTURES

AND SERIES OF BONDS

MORTGAGE OR SUPPLEMENTAL INDENTURE	DATED AS OF	SERIES		PRINCIPAL AMOUNT ISSUED	PRINCIPAL AMOUNT OUTSTANDING
		NO.	DESIGNATION		
Original	June 1, 1939	1	3 1/2% Series due 1964	\$22,000,000	None
First	October 1, 1952	2	3 3/4% Series due 1982	30,000,000	None
Second	May 1, 1953	3	3 7/8% Series due 1983	10,000,000	None
Third	December 1, 1955		None		
Fourth	March 15, 1957		None		
Fifth	July 1, 1957	4	4 7/8% Series due 1987	30,000,000	None
Sixth	January 1, 1958	5	4 1/8% Series due 1988	20,000,000	None
Seventh	August 1, 1958	6	4 3/8% Series due 1988	15,000,000	None
Eighth	January 1, 1959	7	4 3/4% Series due 1989	15,000,000	None
Ninth	January 1, 1960	8	5 3/8% Series due 1990	10,000,000	None
Tenth	April 1, 1964	9	4 5/8% Series due 1994	30,000,000	None
Eleventh	March 1, 1965	10	4 5/8% Series due 1995	10,000,000	None
Twelfth	May 1, 1966		None		
Thirteenth	August 1, 1966	11	6% Series due 1996	20,000,000	None
Fourteenth	April 1, 1970	12	9 1/4% Series due 2000	20,000,000	None
Fifteenth	May 1, 1973	13	7 7/8% Series due 2003	20,000,000	None
Sixteenth	February 1, 1975	14	9 3/8% Series due 2005	25,000,000	None
Seventeenth	November 1, 1976	15	8 3/4% Series due 2006	30,000,000	None
Eighteenth	June 1, 1980		None		
Nineteenth	January 1, 1981	16	14 1/8% Series due 1991	40,000,000	None

Twentieth	August 1, 1982	17	15 <sup>3</sup> / <sub>4</sub> % Series due 1990-1992	60,000,000	None
Twenty-First	September 1, 1983	18	13 <sup>1</sup> / <sub>2</sub> % Series due 2013	60,000,000	None
Twenty-Second	March 1, 1984	19	13 <sup>1</sup> / <sub>4</sub> % Series due 1994	60,000,000	None
Twenty-Third	December 1, 1986	20	9 <sup>1</sup> / <sub>4</sub> % Series due 2016	80,000,000	None
Twenty-Fourth	January 1, 1988	21	10 <sup>3</sup> / <sub>8</sub> % Series due 2018	50,000,000	None
Twenty-Fifth	October 1, 1989	22	7 <sup>1</sup> / <sub>8</sub> % Series due 2013	66,700,000	None
		23	7 <sup>2</sup> / <sub>5</sub> % Series due 2016	17,000,000	None
Twenty-Sixth	April 1, 1993	24	Secured Medium-Term Notes, Series A (\$250,000,000 authorized)	250,000,000	48,000,000
Twenty-Seventh	January 1, 1994	25	Secured Medium-Term Notes, Series B (\$250,000,000 authorized)	161,000,000	5,000,000
Twenty-Eighth	September 1, 2001	26	Collateral Series due 2002	220,000,000	None
Twenty-Ninth	December 1, 2001	27	7.75% Series due 2007	150,000,000	None
Thirtieth	May 1, 2002	28	Collateral Series due 2003	225,000,000	None
Thirty-first	May 1, 2003	29	Collateral Series due 2004	245,000,000	None
Thirty-second	September 1, 2003	30	6.125% Series due 2013	45,000,000	45,000,000
Thirty-third	May 1, 2004	31	Collateral Series due 2005	350,000,000	None
Thirty-fourth	November 1, 2004	32	5.45% Series due 2019	90,000,000	90,000,000
Thirty-fifth	December 1, 2004	33	Collateral Series 2004A	88,850,000	50,000,000
Thirty-sixth	December 1, 2004	34	Collateral Series 2004B	66,700,000	None
		35	Collateral Series 2004C	17,000,000	None
Thirty-seventh	December 1, 2004	36	Collateral Series 2004D	350,000,000	None
Thirty-eighth	May 1, 2005	37	Collateral Series 2005B	66,700,000	66,700,000
		38	Collateral Series 2005C	17,000,000	None

Thirty-ninth	November 1, 2005	39	6.25% Series due 2035	100,000,000	100,000,000
				50,000,000	50,000,000
Fortieth	April 1, 2006	40	Collateral Series due 2011	320,000,000	320,000,000
Forty-first	December 1, 2006	41	5.70% Series due 2037	150,000,000	150,000,000
Forty-second	April 1, 2008	42	5.95% Series due 2018	250,000,000	250,000,000
Forty-third	November 1, 2008	43	Collateral Series 2008A	200,000,000	200,000,000
Forty-fourth	December 1, 2008	44	7.25% Series due 2013	30,000,000	30,000,000
Forty-fifth	December 1, 2008	45	Collateral Series 2008B	17,000,000	17,000,000

**FILING AND RECORDING OF  
FORTY-THIRD SUPPLEMENTAL INDENTURE**

**FILING IN STATE OFFICES**

State	Office of	Date	Financing Statement Document Number
Washington	Secretary of State	12/5/08	2008-340-8358-7
Idaho	Secretary of State	12/5/08	B2008-1057481-7
Montana	Secretary of State	12/5/08	98714342
Oregon	Secretary of State	12/5/08	8148959

**RECORDING IN COUNTY OFFICES**

County	Office of	Real Estate Mortgage Records				Financing Statement Document Number
		Date	Document Number	Book	Page	
<u>Washington</u>						
Adams	Auditor	12/4/08	290889	N/A	N/A	N/A
Asotin	Auditor	12/4/08	309665	N/A	N/A	N/A
Benton	Auditor	12/4/08	2008-034177	N/A	N/A	N/A
Douglas	Auditor	12/4/08	3129685	N/A	N/A	N/A
Ferry	Auditor	12/4/08	273388	N/A	N/A	N/A
Franklin	Auditor	12/4/08	1727627	N/A	N/A	N/A
Garfield	Auditor	12/5/08	20080782	N/A	N/A	N/A
Grant	Auditor	12/4/08	1247030	N/A	N/A	N/A
Klickitat	Auditor	12/5/08	1080547	N/A	N/A	N/A
Lewis	Auditor	12/5/08	3317453	N/A	N/A	N/A
Lincoln	Auditor	12/4/08	2008 0450812	98	1074	N/A
Pend Oreille	Auditor	12/4/08	2008-0299831	N/A	N/A	N/A
Skamania	Auditor	12/5/08	2008171604	N/A	N/A	N/A
Spokane	Auditor	12/5/08	5740778	N/A	N/A	N/A
Stevens	Auditor	12/4/08	2008-0011423	387	2208	N/A
Thurston	Auditor	12/16/08	4050436	N/A	N/A	N/A
Whitman	Auditor	12/4/08	690093	N/A	N/A	N/A
<u>Idaho</u>						
Benewah	Recorder	12/4/08	252703	N/A	N/A	N/A
Bonner	Recorder	12/4/08	763239	N/A	N/A	N/A
Boundary	Recorder	12/4/08	240254	N/A	N/A	N/A
Clearwater	Recorder	12/4/08	210360	N/A	N/A	N/A
Idaho	Recorder	12/4/08	464502	N/A	N/A	N/A

**RECORDING IN COUNTY OFFICES**

Real Estate Mortgage Records						Financing Statement Document Number
County	Office of	Date	Document Number	Book	Page	
Kootenai	Recorder	12/4/08	2187936000	N/A	N/A	N/A
Latah	Recorder	12/4/08	526292	N/A	N/A	N/A
Lewis	Recorder	12/4/08	136744	N/A	N/A	N/A
Nez Perce	Recorder	12/5/08	763473	N/A	N/A	N/A
Shoshone	Recorder	12/4/08	449048	N/A	N/A	N/A
<u>Montana</u>						
Big Horn	Clerk & Recorder	12/5/08	340397	103	193	N/A
Broadwater	Clerk & Recorder	12/5/08	160000	118	713	N/A
Golden Valley	Clerk & Recorder	12/5/08	79787	M	13978	N/A
Meagher	Clerk & Recorder	12/5/08	136592	F72	458	N/A
Mineral	Clerk & Recorder	12/5/08	104510	N/A	N/A	N/A
Rosebud	Clerk & Recorder	12/5/08	104368	123	234	N/A
Sanders	Clerk & Recorder	12/5/08	64424	N/A	N/A	N/A
Stillwater	Clerk & Recorder	12/5/08	338558	N/A	N/A	N/A
Treasure	Clerk & Recorder	12/5/08	80684	18	968	N/A
Wheatland	Clerk & Recorder	12/5/08	105496	M	20327	N/A
Yellowstone	Clerk & Recorder	12/5/08	3488418	N/A	N/A	N/A
<u>Oregon</u>						
Douglas	Recorder	12/5/08	2008-021390	N/A	N/A	N/A
Jackson	Recorder	12/9/08	2008-043889	N/A	N/A	N/A
Josephine	Recorder	12/8/08	2008-018509	N/A	N/A	N/A
Klamath	Recorder	12/9/08	2008-016193	N/A	N/A	N/A
Morrow	Recorder	12/8/08	2008-23153	N/A	N/A	N/A
Union	Recorder	12/8/08	20085344	N/A	N/A	N/A
Wallowa	Recorder	12/8/08	08-60951	N/A	N/A	N/A

**FILING AND RECORDING OF  
FORTY-FOURTH SUPPLEMENTAL INDENTURE**

**FILING IN STATE OFFICES**

State	Office of	Date	Financing Statement Document Number
Washington	Secretary of State	2/2/09	2009-036-2509-0
Idaho	Secretary of State	2/2/09	B-2009-1059651-1
Montana	Secretary of State	2/2/09	99324582
Oregon	Secretary of State	2/3/09	8187624

**RECORDING IN COUNTY OFFICES**

Real Estate Mortgage Records						Financing Statement Document Number
County	Office of	Date	Document Number	Book	Page	Number
<b><u>Washington</u></b>						
Adams	Auditor	2/2/09	291317	N/A	N/A	N/A
Asotin	Auditor	2/2/09	310520	N/A	N/A	N/A
Benton	Auditor	2/3/09	2009-002689	N/A	N/A	N/A
Douglas	Auditor	2/2/09	3131070	N/A	N/A	N/A
Ferry	Auditor	2/2/09	273681	N/A	N/A	N/A
Franklin	Auditor	2/3/09	1729713	N/A	N/A	N/A
Garfield	Auditor	2/3/09	20090063	N/A	N/A	N/A
Grant	Auditor	2/2/09	1249673	N/A	N/A	N/A
Klickitat	Auditor	2/2/09	1081254	N/A	N/A	N/A
Lewis	Auditor	2/9/09	3320361	N/A	N/A	N/A
Lincoln	Auditor	2/2/09	2009-0451230	98	2579	N/A
Pend Oreille	Auditor	2/3/09	2009 0300463	N/A	N/A	N/A
Skamania	Auditor	2/2/09	2009171978	N/A	N/A	N/A
Spokane	Auditor	2/2/09	5755075	N/A	N/A	N/A
Stevens	Auditor	2/2/09	2009-0000844	389	750	N/A
Thurston	Auditor	2/17/09	4060503	N/A	N/A	N/A
Whitman	Auditor	2/2/09	690854	N/A	N/A	N/A
<b><u>Idaho</u></b>						
Benewah	Recorder	2/2/09	253135	N/A	N/A	N/A
Bonner	Recorder	2/2/09	765949	N/A	N/A	N/A
Boundary	Recorder	2/2/09	240950	N/A	N/A	N/A
Clearwater	Recorder	2/2/09	210763	N/A	N/A	N/A

**RECORDING IN COUNTY OFFICES**

Real Estate Mortgage Records						Financing Statement Document Number
County	Office of	Date	Document Number	Book	Page	
Idaho	Recorder	2/2/09	465097	N/A	N/A	N/A
Kootenai	Recorder	2/2/09	2194855000	N/A	N/A	N/A
Latah	Recorder	2/4/09	527210	N/A	N/A	N/A
Lewis	Recorder	2/2/09	136947	N/A	N/A	N/A
Nez Perce	Recorder	2/2/09	765111	N/A	N/A	N/A
Shoshone	Recorder	2/2/09	450008	N/A	N/A	N/A
<b>Montana</b>						
Big Horn	Clerk & Recorder	2/2/09	340661	103	770	N/A
Broadwater	Clerk & Recorder	2/2/09	160311	119	582	N/A
Golden Valley	Clerk & Recorder	2/9/09	79857	M	14085	N/A
Meagher	Clerk & Recorder	2/3/09	136708	N/A	N/A	N/A
Mineral	Clerk & Recorder	2/2/09	104703	N/A	N/A	N/A
Rosebud	Clerk & Recorder	2/3/09	104724	124	552	N/A
Sanders	Clerk & Recorder	2/2/09	64872	N/A	N/A	N/A
Stillwater	Clerk & Recorder	2/3/09	339086	N/A	N/A	N/A
Treasure	Clerk & Recorder	2/2/09	80727	19	6	N/A
Wheatland	Clerk & Recorder	2/2/09	105544	M	20448	N/A
Yellowstone	Clerk & Recorder	2/2/09	3493647	N/A	N/A	N/A
<b>Oregon</b>						
Douglas	Recorder	2/2/09	2009-001611	N/A	N/A	N/A
Jackson	Recorder	2/4/09	2009-003814	N/A	N/A	N/A
Josephine	Recorder	2/3/09	2009-001963	N/A	N/A	N/A
Klamath	Recorder	2/3/09	2009-001260	N/A	N/A	N/A
Morrow	Recorder	2/3/09	2009-23373	N/A	N/A	N/A
Union	Recorder	2/3/09	20090355	N/A	N/A	N/A
Wallowa	Recorder	2/3/09	61203	N/A	N/A	N/A



**FILING AND RECORDING OF  
FORTY-FIFTH SUPPLEMENTAL INDENTURE**

**FILING IN STATE OFFICES**

State	Office of	Date	Financing Statement Document Number
Washington	Secretary of State	3/9/09	2009-070-0651-2
Idaho	Secretary of State	3/9/09	B2009-1060962-0
Montana	Secretary of State	3/9/09	99707012
Oregon	Secretary of State	3/10/09	8214623

**RECORDING IN COUNTY OFFICES**

Real Estate Mortgage Records						Financing Statement Document Number
County	Office of	Date	Document Number	Book	Page	Number
<u>Washington</u>						
Adams	Auditor	3/9/09	291613	N/A	N/A	N/A
Asotin	Auditor	3/9/098	311207	N/A	N/A	N/A
Benton	Auditor	3/9/098	2009-005961	N/A	N/A	N/A
Douglas	Auditor	3/9/09	3132197	N/A	N/A	N/A
Ferry	Auditor	3/9/09	273865	N/A	N/A	N/A
Franklin	Auditor	3/9/09	1731150	N/A	N/A	N/A
Garfield	Auditor	3/9/09	20090114	N/A	N/A	N/A
Grant	Auditor	3/9/09	1251444	N/A	N/A	N/A
Klickitat	Auditor	3/9/09	1081726	N/A	N/A	N/A
Lewis	Auditor	3/9/09	3322118	N/A	N/A	N/A
Lincoln	Auditor	3/9/09	2009 0451494	98	3519	N/A
Pend Oreille	Auditor	3/10/09	2009 0300822	N/A	N/A	N/A
Skamania	Auditor	3/9/09	2009172251	N/A	N/A	N/A
Spokane	Auditor	3/9/09	5766529	N/A	N/A	N/A
Stevens	Auditor	3/9/09	2009-0001853	390	1704	N/A
Thurston	Auditor	3/10/09	4065672	N/A	N/A	N/A
Whitman	Auditor	3/9/09	691444	N/A	N/A	N/A
<u>Idaho</u>						
Benewah	Recorder	3/9/09	253437	N/A	N/A	N/A
Bonner	Recorder	3/9/09	768120	N/A	N/A	N/A
Boundary	Recorder	3/9/09	241493	N/A	N/A	N/A
Clearwater	Recorder	3/9/09	211069	N/A	N/A	N/A

**RECORDING IN COUNTY OFFICES**

Real Estate Mortgage Records						Financing Statement Document Number
County	Office of	Date	Document Number	Book	Page	
Idaho	Recorder	3/9/09	465603	N/A	N/A	N/A
Kootenai	Recorder	3/9/09	2199978000	N/A	N/A	N/A
Latah	Recorder	3/11/09	527892	N/A	N/A	N/A
Lewis	Recorder	3/9/09	137065	N/A	N/A	N/A
Nez Perce	Recorder	3/9/09	766400	N/A	N/A	N/A
Shoshone	Recorder	3/9/09	450515	N/A	N/A	N/A
<b>Montana</b>						
Big Horn	Clerk & Recorder	3/9/09	340811	104	176	N/A
Broadwater	Clerk & Recorder	3/10/09	160548	120	437	N/A
Golden Valley	Clerk & Recorder	3/9/09	79915	M	14166	N/A
Meagher	Clerk & Recorder	3/9/09	136757	N/A	N/A	N/A
Mineral	Clerk & Recorder	3/9/09	104797	N/A	N/A	N/A
Rosebud	Clerk & Recorder	3/9/09	104907	125	42	N/A
Sanders	Clerk & Recorder	3/9/09	65223	N/A	N/A	N/A
Stillwater	Clerk & Recorder	3/9/09	339455	N/A	N/A	N/A
Treasure	Clerk & Recorder	3/9/09	80759	19	91	N/A
Wheatland	Clerk & Recorder	3/9/09	105599	M	20569	N/A
Yellowstone	Clerk & Recorder	4/2/09	3501330	N/A	N/A	N/A
<b>Oregon</b>						
Douglas	Recorder	12/5/08	2009-005038	N/A	N/A	N/A
Jackson	Recorder	12/9/08	2009-008226	N/A	N/A	N/A
Josephine	Recorder	12/8/08	2009-003951	N/A	N/A	N/A
Klamath	Recorder	12/9/08	2009-003396	N/A	N/A	N/A
Morrow	Recorder	12/8/08	2009-23575	N/A	N/A	N/A
Union	Recorder	12/8/08	20090822	N/A	N/A	N/A
Wallowa	Recorder	12/8/08	61378	N/A	N/A	N/A

**PROPERTY ADDITIONS**

**First**

BUSINESS OFFICE/S AND/OR REAL ESTATE, in the State of Washington, to wit:

1. Spokane County, Washington: "Jimmy Dean Warehouse"; Property No. WA-32-004; Grantor: Kathryn Taylor.; Portions of Tracts 15 & 16, First Addition to Orchard Park, located in the Northwest Quarter (NW/4), of Section 12, Township 25 North, Range 43 East, W.M.

C(1)-1

## (Form of Bond)

This bond is subject to restrictions on transfer,  
as hereinafter set forth

CUSIP [            ]

## AVISTA CORPORATION

First Mortgage Bond,  
5.125% Series due 2022

REGISTERED

REGISTERED

NO. \_\_\_\_\_

\$\_\_\_\_\_

**AVISTA CORPORATION**, a corporation of the State of Washington (hereinafter called the Company), for value received, hereby promises to pay to

, or registered assigns, on April 1, 2022

DOLLARS

and to pay the registered owner hereof interest thereon semi-annually in arrears on April 1 and October 1 in each year (each such date being hereinafter called an "Interest Payment Date"), commencing April 1, 2010 and at Maturity (as hereinafter defined), at the rate of five and one hundred twenty-five one-thousandths percentum (5.125%) per annum computed on the basis of a 360-day year consisting of twelve 30-day months, until the Company's obligation with respect to the payment of such principal shall have been discharged. This bond shall bear interest from September 22, 2009 or from the most recent Interest Payment Date on or prior to the date of this bond to which interest on the bonds of this series has been paid; provided, however, that if the date of this bond shall be after a Record Date (as hereinafter defined) and prior to the corresponding Interest Payment Date, this bond shall bear interest from such Interest Payment Date. The principal of and premium, if any, and interest on this bond payable at Maturity shall be payable upon presentation hereof at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. The interest on this bond (other than interest payable at Maturity) shall be paid by check, in the similar coin or currency, mailed to the registered owner hereof as of the close of

business on the March 15 or September 15, as the case may be, next preceding each Interest Payment Date (each such date being herein called a "Record Date"); provided, however, that if such registered owner shall be a securities depository, such payment shall be made by such other means in lieu of check as shall be agreed upon by the Company, the Trustee and such registered owner. Interest payable at Maturity shall be paid to the person to whom principal shall be paid. As used herein, the term "Maturity" shall mean the date on which the principal of this bond becomes due and payable, whether at stated maturity, upon redemption or acceleration, or otherwise.

This bond is one of an issue of bonds of the Company issuable in series and is one of a series known as its First Mortgage Bonds, 5.125% Series due 2022, all bonds of all such series being issued and issuable under and equally secured (except insofar as any sinking or other fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for the bonds of any particular series) by a Mortgage and Deed of Trust, dated as of June 1, 1939 (the "Original Mortgage"), executed by the Company (formerly known as The Washington Water Power Company) to City Bank Farmers Trust Company and Ralph E. Morton, as Trustees (Citibank, N.A., successor Trustee to both said Trustees). The Original Mortgage has been amended and supplemented by various supplemental indentures and other instruments, including the Forty-sixth Supplemental Indenture, dated as of September 1, 2009, and, as so amended and supplemented, is herein called the "Mortgage". Reference is made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds and of the Trustee in respect thereof, the duties and immunities of the Trustee and the terms and conditions upon which the bonds are and are to be secured and the circumstances under which additional bonds may be issued. If there shall be a conflict between the terms of this bond and the provisions of the Mortgage, the provisions of the Mortgage shall control to the extent permitted by law. The holder of this bond, by its acceptance hereof, shall be deemed to have consented and agreed to all of the terms and provisions of the Mortgage and, further, in the event that such holder shall not be the sole beneficial owner of this bond, shall be deemed to have agreed to use all commercially reasonable efforts to cause all direct and indirect beneficial owners of this bond to have knowledge of the terms and provisions of the Mortgage and of this bond and to comply therewith, including particularly, but without limitation, any provisions or restrictions in the Mortgage regarding the transfer or exchange of such beneficial interests and any legend set forth on this bond.

The Mortgage may be modified or altered by affirmative vote of the holders of at least 60% in principal amount of the bonds outstanding under the Mortgage, considered as one class, or, if the rights of one or more, but less than all, series of bonds then outstanding are to be affected, then such modification or alteration may be effected with the affirmative vote only of 60% in principal amount of the bonds outstanding of the series so to be affected, considered as one class, and, furthermore, for limited purposes, the Mortgage may be modified or altered without any consent or other action of holders

of any series of bonds. No modification or alteration shall, however, permit an extension of the Maturity of the principal of, or interest on, this bond or a reduction in such principal or the rate of interest hereon or any other modification in the terms of payment of such principal or interest or the creation of any lien equal or prior to the lien of the Mortgage or deprive the holder of a lien on the mortgaged and pledged property without the consent of the holder hereof.

The principal hereof may be declared or may become due prior to the stated maturity date on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a Completed Default as in the Mortgage provided.

As provided in the Mortgage and subject to certain limitations therein set forth, this bond or any portion of the principal amount hereof will be deemed to have been paid if there has been irrevocably deposited with the Trustee moneys or direct obligations of or obligations guaranteed by the United States of America, the principal of and interest on which when due, and without regard to any reinvestment thereof, will provide moneys which, together with moneys so deposited, will be sufficient to pay when due the principal of and premium, if any, and interest on this bond when due.

The Mortgage contains terms, provisions and conditions relating to the consolidation or merger of the Company with or into, and the conveyance or other transfer, or lease, of assets to, another corporation and to the assumption by such other corporation, in certain circumstances, of all of the obligations of the Company under the Mortgage and on the bonds secured thereby.

In the manner prescribed in the Mortgage, this bond is transferable by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this bond, together with a written instrument of transfer whenever required by the Company duly executed by the registered owner or by its duly authorized attorney, and, thereupon, a new fully registered bond of the same series for a like principal amount will be issued to the transferee in exchange herefor as provided in the Mortgage. The Company and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment and for all other purposes.

In the manner prescribed in the Mortgage, any bonds of this series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, are exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

The bonds of this series shall be redeemable in whole at any time or in part from time to time, at the option of the Company, upon notice mailed as provided in Section 52 of the Mortgage, at the option of the Company at a redemption price equal to the greater of

(a) 100% of the principal amount of the bonds being redeemed, and

(b) the sum of the present values of the remaining scheduled payments of principal of and interest (not including any portion of any scheduled payment of interest which accrued prior to the redemption date) on the bonds being redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Yield (as hereinafter defined) plus 30 basis points,

plus, in the case of either (i) or (ii) above, whichever is applicable, accrued and unpaid interest on such bonds to the date of redemption.

“*Treasury Yield*” means, with respect to any redemption of the bonds of this series, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price. The Treasury Yield shall be calculated as of the third business day preceding the redemption date or, if the bonds to be redeemed are to be caused to be deemed to have been paid within the meaning of Section 106 of the Original Mortgage, as amended, prior to the redemption date, then as of the third business day prior to the earlier of (x) the date notice of such redemption is mailed to bondholders pursuant to Section 52 of the Original Mortgage, as amended, and (y) the date irrevocable arrangements with the Trustee for the mailing of such notice shall have been made, as the case may be (the “*Calculation Date*”).

“*Comparable Treasury Issue*” means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the bonds of this series that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such bonds.

“*Comparable Treasury Price*” means (A) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding the Calculation Date, as set forth in the H.15 Daily Update of the Federal Reserve Bank of New York or (B) if such release (or any successor release) is not published or does not contain such prices on such business day, the Reference Treasury Dealer Quotation for the Calculation Date.

“*H.15(519)*” means the weekly statistical release entitled “Statistical Release H.15 (519)”, or any successor publication, published by the Board of Governors of the Federal Reserve System.

“*H.15 Daily Update*” means the daily update of H.15(519) available through the worldwide website of the Board of Governors of the Federal Reserve System or any successor site or publication.

“*Independent Investment Banker*” means UBS Securities LLC or J. P. Morgan Securities Inc. or, if so determined by the Company, any other independent investment banking institution of national standing appointed by the Company and reasonably acceptable to the Trustee.

“*Reference Treasury Dealer Quotation*” means, with respect to the Reference Treasury Dealer, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount and quoted in writing to the Trustee by such Reference Treasury Dealer prior to the close of business on the third business day preceding the Calculation Date).

“*Reference Treasury Dealer*” means a primary U.S. Government securities dealer in the United States appointed by the Company and reasonably acceptable to the Trustee.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors being released by the holder or owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

This bond shall not become obligatory until Citibank, N.A., the Trustee under the Mortgage, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

**IN WITNESS WHEREOF**, AVISTA CORPORATION has caused this bond to be signed in its corporate name by its President or one of its Vice Presidents by his signature or a facsimile thereof, and its corporate seal to be impressed or imprinted hereon and attested by its Corporate Secretary or one of its Assistant Corporate Secretaries by his signature or a facsimile thereof.

Dated: AVISTA CORPORATION

By: \_\_\_\_\_

ATTEST: \_\_\_\_\_



**TRUSTEE'S CERTIFICATE**

This bond is one of the bonds of the series herein designated, described or provided for in the within-mentioned Mortgage.

CITIBANK, N.A.  
Trustee

By: \_\_\_\_\_  
Authorized Officer

## DEPOSITARY LEGEND

This global bond is held by Cede & Co., as nominee for The Depository Trust Company (The “Depository”) for the benefit of the beneficial owners hereof. This bond may not be transferred, nor may any purported transfer be registered, except that (i) this bond may be transferred in whole, and appropriate registration of transfer effected, if such transfer is by Cede & Co., as nominee for the Depository, to the Depository, or by the Depository to another nominee thereof, or by any nominee of the Depository to any other nominee thereof, or by the Depository or any nominee thereof to any successor bond depository or any nominee thereof; and (ii) this bond may be transferred, and appropriate registration of transfer effected, to the beneficial holders hereof, and thereafter shall be transferable without restrictions (except as provided in the preceding paragraph) if: (A) the Depository, or any successor securities depository, shall have notified the Company and the Trustee that (I) it is unwilling or unable to continue to act as securities depository with respect to this bond or (II) it is no longer a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, the Trustee shall not have been notified by the Company within one hundred twenty (120) days of the identity of a successor securities depository with respect to this bond; or (B) the Company shall have delivered to the Trustee a written order to the effect that this bond shall be so transferable on and after a date specified therein.

**ASSIGNMENT FORM**

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
[please insert social security or other identifying number of assignee]

\_\_\_\_\_  
[please print or typewrite name and address of assignee]

\_\_\_\_\_  
the within bond of AVISTA CORPORATION and does hereby irrevocably constitute and appoint \_\_\_\_\_, Attorney, to transfer said bond on the books of the within-mentioned Company, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Notice: The signature to this assignment must correspond with the name as written upon the face of the bond in every particular without alteration or enlargement or any change whatsoever.

**Amendments to Original Mortgage,  
as heretofore amended**

---

1. Section 3 in Article I

(a) Section 3 in Article I of the Original Mortgage, as heretofore amended, is hereby amended by adding a new paragraph following the definition of "Opinion of Counsel," reading as follows:

The term "Executive Committee" shall mean the Executive Committee of the Board of Directors of the Company or any other duly authorized committee of the Board of Directors.

(b) Section 3 in Article I of the Original Mortgage, as heretofore amended, is hereby further amended by adding a new paragraph at the end thereof, reading as follows:

Unless this Indenture expressly requires otherwise, any certificate or other document to be delivered by the Company hereunder may be signed, and any action to be taken by the Company hereunder may be taken on behalf of the Company, by any officer or other employee of the Company so authorized by Resolution, by the Company's organizational documents or by applicable law.

2. Section 8 in Article II

(a) Section 8 in Article II of the Original Mortgage, as heretofore amended (prior to the indented clauses (a), (b), (c) and (d) in said Section 8), is hereby amended as indicated in subparagraph (i) below, with strikeouts showing deletions and underlining showing additions, subparagraph (ii) below containing only the new text of such provision as amended:

(i) SECTION 8. At the option of the Company, the bonds issued hereunder may be issued in one or more series, the bonds of each series (other than the 3 1/2% Series due 1964, hereinafter in Section 19 described) maturing on such date or dates and bearing interest at such rate or rates as the ~~Board of Directors of the~~ Company prior to the authentication thereof may determine. Subject to the provisions of Section 19 hereof as to the 3 1/2% Series due 1964, the form of each series of bonds issued hereunder and of the coupons to be attached to the coupon bonds of such series shall be established by Resolution ~~of the Board of Directors of the Company~~ or by Treasurer's Certificate, or shall be set forth in an indenture supplemental hereto. The bonds and coupons of any

one or more series may be expressed in one or more foreign languages, if also expressed in the English language. The English text shall govern the construction thereof and both or all texts shall constitute but a single obligation. The English text of the coupon bonds, coupons, fully registered bonds and the Corporate Trustee's certificate shall be respectively substantially of the tenor and purport above recited, provided, however, that the form of each series, as established by the ~~Board of Directors~~Company, shall specify the descriptive title of the bonds (which shall contain the words "Mortgage Bond"), the designation of the series, the date of the coupon bonds of that series, the rate or rates of interest to be borne by the bonds of that series, the coin or currency in which payable, the date or dates of maturity, the dates for the payment of interest, and a place for the payment of principal and interest. Subject to the provisions of Section 19 hereof with respect to the 3 1/2% Series due 1964, any series of bonds may also contain such provisions not inconsistent with the provisions of this Indenture as the ~~Board of Directors~~Company may, in its discretion, cause to be inserted therein:

(ii) SECTION 8. At the option of the Company, the bonds issued hereunder may be issued in one or more series, the bonds of each series (other than the 3 1/2% Series due 1964, hereinafter in Section 19 described) maturing on such date or dates and bearing interest at such rate or rates as the Company prior to the authentication thereof may determine. Subject to the provisions of Section 19 hereof as to the 3 1/2% Series due 1964, the form of each series of bonds issued hereunder and of the coupons to be attached to the coupon bonds of such series shall be established by Resolution or by Treasurer's Certificate, or shall be set forth in an indenture supplemental hereto. The bonds and coupons of any one or more series may be expressed in one or more foreign languages, if also expressed in the English language. The English text shall govern the construction thereof and both or all texts shall constitute but a single obligation. The English text of the coupon bonds, coupons, fully registered bonds and the Corporate Trustee's certificate shall be respectively substantially of the tenor and purport above recited, provided, however, that the form of each series, as established by the Company, shall specify the descriptive title of the bonds (which shall contain the words "Mortgage Bond"), the designation of the series, the date of the coupon bonds of that series, the rate or rates of interest to be borne by the bonds of that series, the coin or currency in which payable, the date or dates of maturity, the dates for the payment of interest, and a place for the payment of principal and interest. Subject to the provisions of Section 19 hereof with respect to the 3 1/2% Series due 1964, any series of bonds may also contain such provisions not inconsistent with the provisions of this Indenture as the Company may, in its discretion, cause to be inserted therein:

(b) Indented clause (c) in Section 8 in Article II of the Original Mortgage, as heretofore amended, is hereby amended as indicated in subparagraph (i) below, with

strikeouts showing deletions and underlining showing additions, subparagraph (ii) below containing only the new text of such provision as amended:

(i)(c) permitting the bondholders to make, at a specified place or places, any or all of the following exchanges, viz., exchanges of coupon bonds for fully registered bonds; exchanges of fully registered bonds for coupon bonds; exchanges of coupon bonds for coupon bonds of other authorized denominations; exchanges of fully registered bonds for fully registered bonds of other authorized denominations; and exchanges of bonds of one series for bonds of another series; and such privilege of exchange may in any case be made subject to such conditions, limitations or restrictions as the ~~Board of Directors~~Company may determine and the privilege of exchange may in any case be conferred upon the holders of bonds of one or more denominations and withheld from the holders of bonds of other denominations of the same series and may in any case be conferred on the holders of fully registered bonds and withheld from the holders of coupon bonds or vice versa;

(ii)(c) permitting the bondholders to make, at a specified place or places, any or all of the following exchanges, viz., exchanges of coupon bonds for fully registered bonds; exchanges of fully registered bonds for coupon bonds; exchanges of coupon bonds for coupon bonds of other authorized denominations; exchanges of fully registered bonds for fully registered bonds of other authorized denominations; and exchanges of bonds of one series for bonds of another series; and such privilege of exchange may in any case be made subject to such conditions, limitations or restrictions as the Company may determine and the privilege of exchange may in any case be conferred upon the holders of bonds of one or more denominations and withheld from the holders of bonds of other denominations of the same series and may in any case be conferred on the holders of fully registered bonds and withheld from the holders of coupon bonds or vice versa;

### 3. Section 9 in Article II

Section 9 in Article II of the Original Mortgage, as heretofore amended, is hereby amended as indicated in paragraph (a) below, with strikeouts showing deletions and underlining showing additions, paragraph (b) below containing only the new text of such provision as amended:

(a) SECTION 9. Any series of bonds may be executed, authenticated and delivered originally as coupon bonds and/or as fully registered bonds, of such denomination or denominations as the ~~Board of Directors of the~~ Company may from time to time ~~authorized~~determine.

(b) SECTION 9. Any series of bonds may be executed, authenticated and delivered originally as coupon bonds and/or as fully registered bonds, of such denomination or denominations as the Company may from time to time determine.

#### 4. Section 10 in Article II

Section 10 in Article II of the Original Mortgage, as heretofore amended, is hereby amended as indicated in paragraph (a) below, with strikeouts showing deletions, paragraph (b) below containing only the new text of such provision as amended:

(a) SECTION 10. Every fully registered bond shall be dated as of the date of authentication (except that if any fully registered bond of any series shall be authenticated upon any interest payment date for that series, it shall be dated as of the day following) and shall bear interest from the beginning of the current interest period for that series; provided, however, that if any fully registered bond shall be authenticated and delivered upon a transfer of, or in exchange for, any bond or bonds upon which interest is in default, it shall be dated so that no gain or loss of interest shall result therefrom. The coupon bonds of each series of bonds issued hereunder shall be dated as of such date as may be determined by the ~~Board of Directors of the~~ Company and designated in the form established for such series.

(b) SECTION 10. Every fully registered bond shall be dated as of the date of authentication (except that if any fully registered bond of any series shall be authenticated upon any interest payment date for that series, it shall be dated as of the day following) and shall bear interest from the beginning of the current interest period for that series; provided, however, that if any fully registered bond shall be authenticated and delivered upon a transfer of, or in exchange for, any bond or bonds upon which interest is in default, it shall be dated so that no gain or loss of interest shall result therefrom. The coupon bonds of each series of bonds issued hereunder shall be dated as of such date as may be determined by the Company and designated in the form established for such series.

#### 5. Section 11 in Article II

Section 11 in Article II of the Original Mortgage, as heretofore amended, is hereby amended as indicated in paragraph (a) below, with strikeouts showing deletions and underlining showing additions, paragraph (b) below containing only the new text of such provision as amended:

(a) SECTION 11. Any bond may have imprinted thereon or included therein any legend or legends required in order to comply with any law or with any rules or regulations made pursuant thereto or with the rules or regulations of any stock exchange or to conform to usage, and the ~~Board of Directors of the~~ Company by Resolution, Treasurer's Certificate or indenture supplemental hereto may at any time amend the form of any legend to be used on bonds then Outstanding so as to comply with any such law, rule or regulation, or so as to conform to usage.

(b) SECTION 11. Any bond may have imprinted thereon or included therein any legend or legends required in order to comply with any law or with any rules or regulations made pursuant thereto or with the rules or regulations of any stock exchange or to conform to usage, and the Company by Resolution, Treasurer's Certificate or indenture supplemental hereto may at any time amend the form of any legend to be used on bonds then Outstanding so as to comply with any such law, rule or regulation, or so as to conform to usage.

6. Section 12 in Article II

Section 12 in Article II of the Original Mortgage, as heretofore amended, is hereby amended as indicated in paragraph (a) below, with strikeouts showing deletions, paragraph (b) below containing only the new text of such provision as amended:

(a) SECTION 12. In all cases in which the privilege of exchanging bonds exists and is exercised, the bonds to be exchanged shall be surrendered at such place or places as shall be designated by ~~the Board of Directors or Executive Committee of~~ the Company for the purpose, with all unmatured coupons appertaining thereto (in the case of coupon bonds) and the Corporate Trustee shall authenticate and the Company shall issue in exchange therefor the bond or bonds which the bondholder making the exchange shall be entitled to receive. All bonds so surrendered for exchange shall be in bearer form or if registered, accompanied by a written instrument or instruments of transfer in form approved by the Company duly executed by the registered holder or his duly authorized attorney. All bonds so surrendered for exchange and the unmatured coupons appertaining thereto shall be canceled by the Corporate Trustee and upon the request of the Company may be cremated by the Corporate Trustee and a certificate evidencing the cremation thereof delivered to the Company. Upon every transfer of bonds as permitted by the next succeeding Section, and upon every exchange of bonds, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company and in addition may charge a sum not exceeding Two Dollars (\$2) for each bond issued upon any such transfer or exchange which shall be paid by the party requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Company shall not be required to make transfers or exchanges of bonds of any series for a period of ten (10) days next preceding any interest payment date of said series.

(b) SECTION 12. In all cases in which the privilege of exchanging bonds exists and is exercised, the bonds to be exchanged shall be surrendered at such place or places as shall be designated by the Company for the purpose, with all unmatured coupons appertaining thereto (in the case of coupon bonds) and the



Corporate Trustee shall authenticate and the Company shall issue in exchange therefor the bond or bonds which the bondholder making the exchange shall be entitled to receive. All bonds so surrendered for exchange shall be in bearer form or if registered, accompanied by a written instrument or instruments of transfer in form approved by the Company duly executed by the registered holder or his duly authorized attorney. All bonds so surrendered for exchange and the unmatured coupons appertaining thereto shall be canceled by the Corporate Trustee and upon the request of the Company may be cremated by the Corporate Trustee and a certificate evidencing the cremation thereof delivered to the Company. Upon every transfer of bonds as permitted by the next succeeding Section, and upon every exchange of bonds, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company and in addition may charge a sum not exceeding Two Dollars (\$2) for each bond issued upon any such transfer or exchange which shall be paid by the party requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Company shall not be required to make transfers or exchanges of bonds of any series for a period of ten (10) days next preceding any interest payment date of said series.

7. Section 15 in Article II

Section 15 in Article II of the Original Mortgage, as heretofore amended, is hereby amended as indicated in paragraph (a) below, with strikeouts showing deletions, paragraph (b) below containing only the new text of such provision as amended:

(a) SECTION 15. There may be authenticated and delivered and issued from time to time in lieu of (or in exchange for) any definitive bond or bonds authenticated under this Indenture one or more temporary typewritten, printed, lithographed or engraved bonds substantially of the tenor of the bonds hereinbefore described, with or without one or more coupons, and with or without the privilege of registration as to principal only, or as to both principal and interest, and such temporary bond or bonds may be in such denomination or denominations as the ~~Board of Directors of the~~ Company may determine. Until a definitive bond or bonds secured hereby are issued in exchange therefor, each such temporary bond or bonds shall be entitled to the Lien and benefit of this Indenture. Upon the exchange by the Company of definitive coupon bonds or definitive fully registered bonds for temporary bonds (which exchange the Company shall make on request of, and without charge to, the holder, when definitive bonds are ready for delivery) such temporary bond or bonds and any unmatured coupons appertaining thereto shall be canceled by the Corporate Trustee and upon the request of the Company may be cremated by the Corporate Trustee and a certificate evidencing such cremation delivered to the Company. When and as interest is paid upon any unregistered temporary bond without coupons, the fact of such payment shall be noted thereon and interest due on any

temporary bond which is represented by a coupon shall be paid only upon presentation and surrender of such coupon for cancellation. Temporary bonds without coupons of any series shall bear interest from the beginning of the current interest period for bonds of that series in which such temporary bonds without coupons shall be authenticated. The holder of one or more temporary bonds may exchange the same on the surrender thereof, for cancellation, in bearer form or, if registered, accompanied by a written instrument or instruments of transfer in form approved by the Company, duly executed by the registered holder or by his duly authorized attorney, with all unmatured coupons, if any, appertaining thereto, at the office or agency of the Company, and shall be entitled to receive a temporary bond or bonds of the same series of like aggregate principal amount of such other denominations as the ~~Board of Directors of the~~ Company may determine to issue in exchange.

(b) SECTION 15. There may be authenticated and delivered and issued from time to time in lieu of (or in exchange for) any definitive bond or bonds authenticated under this Indenture one or more temporary typewritten, printed, lithographed or engraved bonds substantially of the tenor of the bonds hereinbefore described, with or without one or more coupons, and with or without the privilege of registration as to principal only, or as to both principal and interest, and such temporary bond or bonds may be in such denomination or denominations as the Company may determine. Until a definitive bond or bonds secured hereby are issued in exchange therefor, each such temporary bond or bonds shall be entitled to the Lien and benefit of this Indenture. Upon the exchange by the Company of definitive coupon bonds or definitive fully registered bonds for temporary bonds (which exchange the Company shall make on request of, and without charge to, the holder, when definitive bonds are ready for delivery) such temporary bond or bonds and any unmatured coupons appertaining thereto shall be canceled by the Corporate Trustee and upon the request of the Company may be cremated by the Corporate Trustee and a certificate evidencing such cremation delivered to the Company. When and as interest is paid upon any unregistered temporary bond without coupons, the fact of such payment shall be noted thereon and interest due on any temporary bond which is represented by a coupon shall be paid only upon presentation and surrender of such coupon for cancellation. Temporary bonds without coupons of any series shall bear interest from the beginning of the current interest period for bonds of that series in which such temporary bonds without coupons shall be authenticated. The holder of one or more temporary bonds may exchange the same on the surrender thereof, for cancellation, in bearer form or, if registered, accompanied by a written instrument or instruments of transfer in form approved by the Company, duly executed by the registered holder or by his duly authorized attorney, with all unmatured coupons, if any, appertaining thereto, at the office or agency of the Company, and shall be entitled to receive a temporary bond or bonds of the same series of like aggregate principal amount of such other denominations as the Company may determine to issue in exchange.

8. Section 21 in Article III

Section 21 in Article III of the Original Mortgage, as heretofore amended, is hereby amended as indicated in paragraph (a) below, with strikeouts showing deletions and underlining showing additions, paragraph (b) below containing only the new text of such provision as amended:

(a) SECTION 21. Nothing in this Indenture contained shall limit the ~~power of the Board of Directors or Executive Committee of the Company to fix the~~ price at which the bonds authenticated and delivered under any of the provisions of this Indenture may be issued, exchanged, sold or disposed of, but any or all of said bonds may be issued, exchanged, sold or disposed of upon such terms and for such considerations as the Board of Directors or Executive Committee of the Company, or, if and to the extent so authorized by Resolution, the President, any Vice President or the Treasurer of the Company, may deem fit.

(b) SECTION 21. Nothing in this Indenture contained shall limit the price at which the bonds authenticated and delivered under any of the provisions of this Indenture may be issued, exchanged, sold or disposed of, but any or all of said bonds may be issued, exchanged, sold or disposed of upon such terms and for such considerations as the Board of Directors or Executive Committee of the Company, or, if and to the extent so authorized by Resolution, the President, any Vice President or the Treasurer of the Company, may deem fit.

9. Section 28 in Article V

Clause (i) in the first paragraph of Section 28 of Article V of the Original Mortgage, as heretofore amended, is hereby amended as indicated in paragraph (a) below, with strikeouts showing deletions and underlining showing additions, paragraph (b) below containing only the new text of such provision as amended:

(a)(1) a Resolution ~~requesting the Corporate Trustee to authenticate and deliver bonds, (a) specifying the principal amount of bonds called for, the series thereof and any other matters with respect thereto required by this Indenture, and (b) specifying the officer or officers of the Company to whom, or upon whose written order, such bonds shall be delivered;~~ under the authority of which the bonds are to be issued;

(b)(1) a Resolution under the authority of which the bonds are to be issued;

## AVISTA CORPORATION

## Computation of Ratio of Earnings to Fixed Charges

Consolidated

(Thousands of Dollars)

	Pro forma 6 Months ended June 30, 2009 (1)	6 Months ended June 30, 2009	Pro forma 2008 (1)	Years Ended December 31				
				2008	2007	2006	2005	2004
<b>Fixed charges, as defined:</b>								
Interest charges	\$ 35,888	\$ 30,517	\$ 75,267	\$ 74,914	\$ 80,095	\$ 88,426	\$ 84,952	\$ 84,746
Amortization of debt expense and premium - net	2,842	2,842	4,673	4,673	6,345	7,741	7,762	8,301
Interest portion of rentals	1,715	1,715	1,601	1,601	1,612	1,802	2,394	2,443
<b>Total fixed charges</b>	<b>\$ 40,445</b>	<b>\$ 35,074</b>	<b>\$ 81,541</b>	<b>\$ 81,188</b>	<b>\$ 88,052</b>	<b>\$ 97,969</b>	<b>\$ 95,108</b>	<b>\$ 95,490</b>
<b>Earnings, as defined:</b>								
Pre-tax income from continuing operations	\$ 85,425	\$ 90,796	\$ 120,029	\$ 120,382	\$ 63,061	\$ 114,927	\$ 70,752	\$ 57,206
Add (deduct):								
Capitalized interest	(998)	(998)	(4,612)	(4,612)	(3,864)	(2,934)	(1,689)	(1,393)
Total fixed charges above	40,445	35,074	81,541	81,188	88,052	97,969	95,108	95,490
<b>Total earnings</b>	<b>\$ 124,872</b>	<b>\$ 124,872</b>	<b>\$ 196,958</b>	<b>\$ 196,958</b>	<b>\$ 147,249</b>	<b>\$ 209,962</b>	<b>\$ 164,171</b>	<b>\$ 151,303</b>
<b>Ratio of earnings to fixed charges</b>	<b>3.09</b>	<b>3.56</b>	<b>2.42</b>	<b>2.43</b>	<b>1.67</b>	<b>2.14</b>	<b>1.73</b>	<b>1.58</b>

(1) Because the proceeds from the issuance of the \$250 million of First Mortgage Bonds will be used to repay indebtedness and the ratio of earnings to fixed charges would change by ten percent or more, pro forma ratios of earnings to fixed charges are presented.