

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of)	DOCKET NO. UE-031031
)	
Avista Corporation,)	ORDER NO. 01
)	
Petitioner,)	
)	
For an Order Establishing)	
Compliance with RCW 80.08.040,)	
with Respect to its Proposal to issue)	ORDER ESTABLISHING
up to \$150,000,000 of secured)	COMPLIANCE WITH RCW
indebtedness.)	80.08.040
.....)	

BACKGROUND

- 1 On June 23, 2003, Avista Corporation (Avista or Company) filed a statement of a planned securities issuance with the Washington Utilities and Transportation Commission (Commission). Avista requested an order affirming that the Company has complied with the requirements of RCW 80.08.040. On July 2, 2003, the Company amended its application to provide more specific information regarding its proposal to issue securities. In its application the Company proposes to offer, issue, and sell from time to time of up to \$150,000,000 of secured indebtedness. In its amended application, the Company anticipates a need to issue \$25 to \$100 million of such indebtedness before the end of 2003. Depending upon conditions in the capital markets, the Company will sell the securities with maturities ranging from 10 to 30 years at an interest rate not to exceed 7.0%. The Company requests the flexibility to sell securities to take advantage of the markets as they change over the remainder of 2003. The application is filed pursuant to Chapter 80.08 RCW and the requirements of WAC 480-146-290.

- 2 According to the application and supporting materials filed by the Company, the proceeds of the financing are for one or more of the purposes allowed by

RCW 80.08.030. The Company has borrowed funds on its corporate credit facility to repay several series of maturing long-term debt. Additional long-term debt is due in 2003, which the Company will use its short-term corporate credit facility to redeem these securities, and eventually replace them with the long-term secured debt it plans to sell under this authority. Finally, the Company expects to fund its ongoing capital projects with these securities.

Certain exceptional factors apply to review of this securities application. Avista received a Commission order in Docket No. UE-971300 on a prior application for an unsecured debt issuance, of which \$141 million remains outstanding. The current application is essentially intended to modify the terms of that outstanding, unissued debt authority from unsecured to secured.

FINDINGS AND CONCLUSIONS

- 3 (1) Avista is engaged in the business of electric and gas service within the state of Washington. As a public service company, it is subject to the jurisdiction of the Commission under the provisions of Chapter 80.08 RCW. Specifically, the Company's capital expenditure program requires a combination of internally generated cash and external financing. The Company anticipates using the proceeds from the issuance of the Securities to refinance an estimated \$71.25 million over the next nine months and to repay funds borrowed under its corporate credit facility. Avista's capital expenditure program is initially funded under its corporate credit facility. Capital expenditures are expected to be \$99 million and \$100 million in 2003 and 2004, respectively.

- 4 (2) As to form, the application herein meets the requirements of Chapter 80.08 RCW and the rules and regulations of the Commission adopted pursuant thereto. *Chapter 480-146 WAC.*
- 5 (3) This matter was brought before the Commission at its regularly scheduled meeting on July 9, 2003.
- 6 (4) The Company's application in this Docket contains: (a) a certification by an authorized officer that the proceeds will be used for one or more purposes allowed by RCW 80.08.030; (b) a description of the proposed issuance, including the terms of financing, and (c) its statement that the requested authority is in the public interest since it allows the Company the maximum flexibility in managing its cost of capital to achieve funds in the most efficient and cost effective manner.

ORDER

THE COMMISSION ORDERS:

- 7 (1) Avista Corporation has complied with the requirements of RCW 80.08.040 with respect to the proposals set forth in its application to issue up to \$150,000,000 of secured indebtedness.
- 8 (2) The Company is directed to file a Report of Securities Issued as required by WAC 480-146-340. The Company is also required to file verified copies of any agreement entered into in connection with any transaction pursuant to this Order. Finally, the Company shall file a verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this Order.

- 9 (3) This Order shall in no way affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.

The Commissioners, having determined this filing complies with the requirements of Chapter 80.08 RCW, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective this 9th day of July, 2003.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary