

Avista Corp.  
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Spokane, Washington 99220-0500  
Telephone 509-489-0500  
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December 15, 2011

Mr. David Danner  
Executive Director & Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW; P. O. Box 47250  
Olympia, Washington 98504-7250

RECEIVED  
PROJECTS MANAGEMENT  
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STATE OF WASHINGTON  
UTIL. AND TRANSPORTATION  
COMMISSION

**RE: Reopen and file under Docket UG-111770, Avista Corporation Affiliated Interest Filing.**

Dear Mr. Danner:

Avista Corporation is seeking Commission approval of intercompany debt, an affiliated interest transaction. Pursuant to RCW 80.16.020 and WAC 480-90-245, Avista Corporation and Ecova are entering an affiliated interest agreement reflecting a Master Promissory Note for intercompany debt. Avista Corporation may borrow up to \$50 million in principal under the note agreement with a short-term borrowing rate of LIBOR plus 87.5 basis points. Enclosed are an original and three copies of the Master Promissory Note between Avista Corporation and Ecova.

On November 10, 2011, the Commission approved Docket No. UG-111770 an Affiliated Interest Filing and Master Promissory Note between Avista Corporation and Ecova. Soon after, the pricing related to credit facilities decreased significantly as follow:

	New Pricing	Previous Pricing
Facility fee	0.125%	0.20%
LIBOR borrowing spread (at A-)	0.875%	1.30%
Letter of credit participation fee (at A-)	0.875%	1.30%
Letter of credit fronting fee	0.20%	0.20%

The Company did not execute the Commission approved Master Promissory Note on November 10<sup>th</sup>; instead, the Company began the process to extend the Company's credit facility another two years to February 2017. This filing amends the affiliate interest filing under Docket UG-111770 and seeks Commission approval of the revised Master Promissory Note with the lower pricing and terms. Please direct any questions regarding this filing to Liz Andrews at (509) 495-8601.

Sincerely,

Kelly O. Norwood  
Vice President, State and Federal Regulation  
Enclosure

## ATTACHMENT A

## MASTER PROMISSORY NOTE

December \_\_\_\_, 2011

FOR VALUE RECEIVED, the undersigned, Avista Corporation, a Washington Corporation (“Borrower”), hereby promises to pay to the order of Ecova, a Washington corporation (“Lender”), the principal amount of Fifty Million Dollars (\$50,000,000) or such lesser amount as shall equal the unpaid principal balance of the amounts advanced by Lender from time to time to Borrower from and after the date of this Master Promissory Note (the “Loans”), together with interest thereon at the time and at the rate specified in this Master Promissory Note (the “Note”).

Borrower may borrow, repay and re-borrow the Loans up to the applicable maximum aggregate principal amount thereof; provided, however, that no Loan shall be made under this Note if, after giving effect thereto, the aggregate unpaid principal amount of all Loans exceeds Fifty Million Dollars (\$50,000,000).

Exhibit A hereto shall be updated periodically by Lender to reflect the balance of the Loans made to Borrower (such balance, the “Loan Balance”) and the rates of interest thereon. The failure by Lender to update Exhibit A or any error by Lender in any update shall not affect the obligations of Borrower under this Note.

Each Loan, including accrued but unpaid interest thereon, will bear interest as provided herein (the “Interest Rate”), calculated on the basis of actual days for which such Loan amount is in effect and a year of 360 days. Unpaid interest will be compounded on the last day of each calendar month by adding such amounts to the then outstanding Loan Balance. The Interest Rate for any calendar month shall be a rate equal to the Borrower’s avoided short-term borrowing cost currently estimated at the one-month LIBOR Rate (as defined below) plus eighty seven and 1/2 basis points (0.875%) per annum. If the Interest Rate will be less than the one-month LIBOR Rate plus eighty seven and 1/2 basis points (0.875%) per annum for any loan, the Interest Rate will be mutually agreed upon by both Borrower and Lender prior to any borrowings being advanced. The Interest Rate will be reset monthly.

“LIBOR Rate” means the fluctuating rate of interest per annum appearing on Bloomberg screen BBAM (or any successor thereto) as the London interbank offered rate for deposits in dollars at approximately 11:00 a.m. (London time) two business days prior to the first day of such interest period for a one month term. Notwithstanding anything to the contrary herein, if at any time the Interest Rate exceeds the maximum rate of interest permitted by applicable law, then during such time the rate of interest to accrue on this Note shall be limited to the maximum rate of interest permitted by applicable law.

All payments of principal and interest are to be made in lawful money of the United States of America and in immediately available funds to Lender. Payments shall be applied: (a) first, to the payment of accrued but unpaid interest; (b) second, to the reduction of the unpaid principal balance of the Loans.

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THE UNPAID PRINCIPAL BALANCE UNDER THIS NOTE TOGETHER WITH ALL ACCRUED BUT UNPAID INTEREST SHALL BE DUE AND PAYABLE NOT LATER THAN THE LAST BUSINESS DAY OF EVERY QUARTER END (MARCH, JUNE, SEPTEMBER AND DECEMBER) AFTER THE DATE

OF THIS NOTE AND SOONER UPON DEMAND BY LENDER. BORROWER HEREBY SPECIFICALLY AGREES THAT THIS NOTE IS A DEMAND NOTE, AND NOT A TERM INSTRUMENT SUBJECT TO ACCELERATION, AND LENDER HAS THE RIGHT AT ANY TIME AND FOR ANY REASON (OR NO REASON) TO DEMAND PAYMENT IN FULL.

Borrower may, at its option at any time, prepay the outstanding Loan Balance owed by it, in whole or in part, together with accrued interest thereon to the date of prepayment, without premium or fee. Any amounts so repaid may be re-borrowed in accordance with the other provisions of this Note.

Borrower hereby waives diligence, presentment, demand, protest and, except for notices expressly required to be given pursuant to this Note, notice of any kind whatsoever. The nonexercise by Lender of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

This Note shall be governed by and construed in accordance with the laws of the State of Washington and the applicable laws of the United States of America.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LEND MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

AVISTA CORPORATION,  
a Washington corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

