

UE-101615-SF

**Avista Corp.**  
1411 East Mission PO Box 3727  
Spokane, Washington 99220-3727  
Telephone 509-489-0500  
Toll Free 800-727-9170



September 28, 2010

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

Mr. Danner:

Transmitted herewith is one executed copy of an application for approval of an order authorizing security issuance.

The Company requests to receive an Order of Approval from the Commission by October 26, 2010. When complete, please send the executed copy of the Order of Approval to:

Ms. Diane C. Thoren, Treasurer  
Avista Corporation  
1411 East Mission Avenue  
Spokane WA 99202-2600

If any questions arise or additional information is needed, please do not hesitate to contact Damien Lysiak at 509-495-2097.

Sincerely,

Diane Thoren  
Treasurer

Enclosures

2010 SEP 29 AM 9:05  
RECEIVED  
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION  
1300 S. EVERGREEN PARK DRIVE SW  
OLYMPIA, WA 98504

BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of the request of	)	Application
AVISTA CORPORATION	)	
for an order establishing compliance	)	Docket No.
<u>with Chapter 80.08 RCW</u>	)	

Avista Corporation (hereinafter called "Applicant") hereby requests the Washington Utilities and Transportation Commission to enter a written order authorizing that the proposed offering, issuance and sale by the Applicant of up to \$83,700,000 in connection with the refunding or conversion of certain obligations related to pollution control bonds issued by the City of Forsyth, Montana, the proceeds of which have been loaned to the Applicant is in compliance with the requirements of Chapter 80.08 RCW. The following information is furnished in support of this application, in accordance with the requirements of RCW 80.08.040:

**(1) A Description of the Purposes for Which the Issuance is Made, Including a Certification By an Officer Authorized To Do So That the Proceeds From Any Such Securities Are For One Or More of the Purposes Allowed By Chapter 80.08 RCW.**

The Applicant proposes to offer, issue and sell Securities for purposes authorized by law, in forms necessary or convenient to its operations, in a total amount of up to and including \$83,700,000, in connection with the refunding or conversion of certain obligations related to pollution control revenue bonds issued by the City of Forsyth, Montana, the proceeds of which have been loaned to the Applicant.

The Applicant is requesting the conversion of existing bonds that were issued by the City of Forsyth to refinance Avista's undivided ownership interest in certain pollution control and solid waste disposal facilities at Colstrip units 3 and 4.

**(2) A Description of the Proposed Issuance Including the Terms of Financing.**

The Applicant proposes to offer, issue and sell Securities for purposes authorized by law, in forms necessary or convenient to its operations, in a total amount of up to and including \$83,700,000, in connection with the refunding or conversion of certain obligations related to two series of pollution control bonds issued by the City of Forsyth, Montana, and the proceeds of which have been loaned to the Applicant. While the specific terms of the transactions are presently being negotiated, the Applicant will only enter into transactions where the fees, interest rates and expenses charged or incurred by the Applicant in connection with the transactions, and any refunding, extensions, renewals or replacements thereof, are competitive with market prices for similar transactions.

On December 30, 2008, the Applicant re-issued/refunded \$17,000,000 series of pollution control revenue bonds (PCRBs). This series of PCRBs had a letter of credit providing a credit enhancement and the coupon rate was a variable daily rate. Due to the cost of renewing the letter of credit at the end of 2009, the Applicant found it prudent to repurchase them. Currently, the Applicant is the bondholder of the both series totaling \$83,700,000 and financed these repurchases with short-term borrowings. The Applicant plans to reissue/refund both series to maintain adequate liquidity and a healthy capital structure. The terms, provisions, conditions, including the interest rates; whether fixed or variable, credit enhancement and/or liquidity support, in connection with the issuance and sale of these bonds will be determined at the time of issuance. The company may, depending on market conditions and liquidity needs repurchase and re-issue/refund these bonds throughout their existing life.

**(3) Statement As To Why The Transaction Is In the Public Interest.**

The Applicant's capital expenditure program requires a combination of internally generated cash and external financing. The securities allow the Applicant to access liquidity to fund these expenditures and for other purposes allowed by RCW Chapter 80.08.

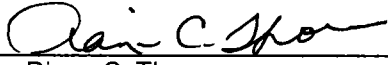
**(4) Text of a Draft Order Granting Applicant's Request for an Order is attached as "Exhibit A".**

Wherefore, the undersigned, an authorized agent of the Applicant, requests that the Washington Utilities and Transportation Commission issue its order affirming that the applicant has complied with the requirements of RCW 80.08.040.

The undersigned certifies, under penalties of perjury as provided in RCW 9A.72.085, that she has read the foregoing application and knows the contents thereof and that the same are true to the best of her own knowledge or belief.

Done at Spokane, Washington this 28th day of September, 2010.

AVISTA CORPORATION

By:   
Diane C. Thoren  
Treasurer

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

In the Matter of the Application of	)	DOCKET UE-090000
	)	
AVISTA CORPORATION,	)	ORDER 01
	)	
Petitioner,	)	
	)	
For an Order Establishing Compliance	)	ORDER ESTABLISHING
with the Provisions of RCW 80.08.040,	)	COMPLIANCE WITH
with Respect to its Proposal to issue up to	)	RCW 80.08.040, RELATING TO
\$83,700,000 of Pollution Control Bonds	)	SECURITIES ISSUANCE
.....	)	

**BACKGROUND**

- 1 On September 28, 2010, Avista Corporation (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a statement of a planned securities issuance and application for an order affirming compliance with RCW 80.08.040. In its application, Avista proposes to issuance and sale of up to \$83,700,000 in connection with the refunding or conversion of certain obligations related to pollution control bonds issued by the City of Forsyth, Montana, the proceeds of which have been loaned to the Company. The Company also requested the ability to refund, extend, renew or replace the same without further notice of compliance, provided that the fees, interest rates and expenses charged or incurred in connection with any transactions entered into under the authority of this order, and any refunding, extension, renewal or replacement thereof, are competitive with market prices for similar transactions. The application is filed pursuant to RCW 80.01.040.
  
- 2 According to Avista’s application and supporting documents, the proceeds of the financing are for one or more of the purposes allowed by RCW 80.08.030.

**FINDINGS AND CONCLUSIONS**

- 3 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.

*RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*

- 4 (2) Avista is engaged in the business of providing electricity and natural gas service within the state of Washington. As a public service company, it is subject to Commission jurisdiction.
- 5 (3) The application Avista filed meets the requirements of *RCW 80.08* which concern the issuance of securities by public service companies.
- 6 (4) This matter came before the Commission at its regularly scheduled meeting on MONTH DAY, YEAR.
- 7 (5) The information Avista filed 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) a statement as to why the proposed transaction is in the public interest. *See WAC 480-100-242.*
- 8 (6) After reviewing the information and application Avista filed in Docket UE-090000 on October 10, 2008, and giving due consideration, the Commission finds that Avista is in compliance with *RCW 80.08.040*.

## ORDER

### THE COMMISSION ORDERS:

- 9 (1) Avista has complied with the requirements of *RCW 80.08.040* with respect to the proposals in its application to issuance and sale of up to \$83,700,000 in connection with the refunding or conversion of certain obligations related to pollution control bonds issued by the City of Forsyth, Montana, the proceeds of which have been loaned to the Company.
- 10 (2) Avista is directed to file a Report of Securities Issued as required by *WAC 480-100-262*. Avista is also required to file verified copies of any agreement entered into in connection with any transaction pursuant to this Order. Finally, Avista

shall file a verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this Order.

- 11 (3) This Order shall in no way affect the authority of the Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters that may come before it. Nor shall anything in this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 12 (4) Avista is hereby allowed to issue these securities in the manner and for the purposes described in the application with continuing authority to refund, extend, renew or replace the same without amendments to the original application to the Commission, provided that the fees, interest rates and expenses charged or incurred in connection with any transactions entered into under this docket, and any refunding, extension, renewal or replacement thereof, are competitive with market prices for similar transactions and verified copies of any agreements entered into in connection with any transaction pursuant to this Order are filed with the Commission.

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

DATED at Olympia, Washington, and effective MONTH DAY, YEAR.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary