

U-101722-SF

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2010 OCT 22 AM 9:49
COMMUNICATIONS SECTION
REGISTRATION

October 21, 2010

Mr. David Danner
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: Planned Securities Issuance – Up to \$150 million Debt Securities Pursuant to RCW 80.08.040, Commission Order is Requested.

Dear Mr. Danner,

Pursuant to RCW 80.08.040, Avista Corporation (“Avista”) intends to issue up to \$150 million of Secured Debt securities. The securities will be issued via public offerings, or private placement and are expected to have terms which will exceed 9 months all depending on and subject to then-existing market prices for similar transactions. The terms of the financing are described in more detail in Section 2 of this application.

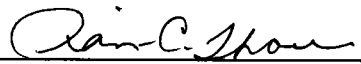
The following information is supplied in conformance with RCW 80.08.040:

(1) Description of the purposes for which the issuance will be made:

Avista will utilize the proceeds of the proposed debt offering for lawful purposes as outlined in RCW 80.08.030. Specifically, Avista anticipates using the proceeds from the issuance of the securities to repay funds borrowed under its corporate credit facility and/or refinance long term debt.

The undersigned certifies that she has read the foregoing information with respect to the proposed use of funds 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 21st day of October, 2010.

By: 
Diane C. Thoren
Treasurer

(2) Description of the proposed issuance, including the terms of financing

The Applicant proposes to offer, issue and sell the Debt for purposes authorized by law, in a total amount of up to and including \$150,000,000 and for terms which will exceed 9 months.

The Debt is to be issued in one or more transactions as market conditions permit. The debt shall be secured and shall be sold in a public offering, in a private offering in accordance with Rule 144A under the Securities Act of 1933, as amended, or in a direct private placement. A brief description of a secured fixed rate debt transaction is set forth below.

I. Secured Fixed Rate Debt:

The issued Debt would be secured by First Mortgage Bonds. First Mortgage Bonds (FMBs) have been the traditional debt financing vehicle utilized by utilities in the U.S., and are

typically offered in public offerings but may be privately placed. FMBs place a lien on the Mortgage and Deed of Trust, dated as of June 1, 1939 (the mortgage and deed of trust has been amended and supplemented by various supplemental indentures since the inception of the Mortgage and Deed of Trust). This lien acts as collateral for the bondholder and the Debt should have a higher nationally recognized rating agency rating than if the Applicant were to issue debt unsecured. This higher credit rating should lead to a lower coupon rate at the time of issuance as compared to issuing unsecured debt.

The Applicant proposes to issue the Debt from time to time in either a public offerings or private placements, for cash or in exchange for its outstanding securities. The Applicant anticipates that issuances will be secured fixed rate debt. Underwriters or placement agents will be selected from a group of potential candidates. The firm or firms selected to lead an offering under this authority will be determined by the Applicant's opinion of their ability to assist the Applicant in meeting its objective of having the lowest total cost for the Debt to be issued. This opinion is based upon the level of underwriting or placement fees, their knowledge of the Applicant and its varied operations, and their ability to market the Debt to achieve the Applicant's financing and capital structure objectives. The Applicant requests that the pricing of the Bonds fall within either the maximum spreads over treasuries provided in Exhibit B or the maximum all-in coupon rate not to exceed 8.0 percent per annum. The Applicant believes that it is not sufficient to focus on credit spreads alone, since high spreads may be offset by equally low treasury rates, resulting in a moderate to low coupon rate. The Applicant requests authority to issue Debt without further notice to the Commission to the extent spreads do not exceed the maximum total spreads over the Benchmark Treasury Yield provided in Exhibit B or is issued with an all-in coupon rate not exceeding 8.0%. This provides additional flexibility in the event spreads widen when the Applicant decides to issue any Debt.

(3) Statement as to why the transaction is in the public interest:

As a public utility, the Applicant is expected to acquire, construct, improve, and maintain sufficient utility facilities to serve its customers adequately and reliably at reasonable cost. The proposed issuances of Debt are part of program to finance the cost of the Applicant's facilities taking into consideration prudent capital ratios, earnings coverage tests, market uncertainties and the relative merits of the various types of securities the Applicant could sell or other financing it could arrange. Accordingly, the Applicant believes the requested authority is in the public interest.

Avista, having provided herewith all information and statements required by RCW 80.08.030, WAC 480-100-242 (1)-(4) and WAC 480-90-242 (1)-(4), respectfully request an order affirming compliance with such requirements as part of this planned securities transaction.

If you have any question regarding this information please feel free to contact Damien Lysiak at (509)-495-2097.

Sincerely,



Diane C. Thoren
Treasurer

Exhibit A

Estimated Net Proceeds⁽¹⁾

	<u>Total</u>	<u>Percent of Total</u>
Gross Proceeds	\$150,000,000	100.00%
Less: Agents/Underwriters Compensation	<u>1,312,500</u>	<u>0.875%</u>
Proceeds Payable to Applicant	148,687,500	99.125%
Less: Other Issuance/Technical Services Expenses ⁽²⁾⁽³⁾	<u>1,835,000</u>	<u>1.22%</u>
Net Proceeds	<u><u>\$146,852,500</u></u>	<u><u>97.90%</u></u>

1) Assumes the issuance of First Mortgage Bonds.

2) **Other Issuance/Technical Services Expenses**

Rating agency fees	\$300,000	to	\$500,000
Legal fees	300,000	to	500,000
Regulatory fees	50,000	to	75,000
Accounting fees	50,000	to	75,000
Printing	50,000	to	75,000
Miscellaneous expenses	<u>80,000</u>	to	<u>120,000</u>
TOTAL	\$830,000		\$1,345,000

3) **First Mortgage Bonds Estimated Issuance Fees and Expenses**

Legal	\$75,000	to	\$150,000
Title Insurance	80,000	to	240,000
County Filing Fees and Other	<u>30,000</u>	to	<u>100,000</u>
Total	\$185,000		\$490,000

Exhibit B

Secured Fixed-Rate Spreads

The following are maximum total spreads for various maturities over the applicable benchmark treasury yield. As stated in Section 2 the Applicant requests authority to issue Debt without further Commission approval if spreads exceed what is provided in this Exhibit, in as long as the cost to maturity does not exceed 8.0 percent per annum. This is meant to provide additional flexibility in the event spreads widen when the Applicant decides to issue any Debt.

Greater Than	Less than or equal to	Maximum Spread Over Benchmark Treasury Yield
(>)	(≤)	(bps)
0Y	1Y	225
1Y	2Y	230
2Y	3Y	235
3Y	4Y	240
4Y	5Y	245
5Y	7Y	250
7Y	8Y	255
8Y	9Y	260
9Y	10Y	265
10Y	15Y	280
15Y	20Y	290
20Y	25Y	295
25Y	30Y	300
30Y	Or more	310

Exhibit C – Proposed Order

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

In the Matter of the Application of)	DOCKET U-XXXXXX
)	
AVISTA CORPORATION dba AVISTA)	ORDER 01
UTILITIES,)	
)	
Petitioner,)	
)	ORDER ESTABLISHING
For an Order Establishing Compliance)	COMPLIANCE WITH
with the Provisions of RCW 80.08.040,)	RCW 80.08.040, RELATING TO
with Respect to its Proposal to issue and)	SECURITIES ISSUANCE
sell up to \$150,000,000 of Debt)	
Securities.)	
.....)	

BACKGROUND

- 1 On October 21, 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 issue and sell up to \$150,000,000 of Debt securities through either public offering or private placement. 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 and natural gas companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*

- 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) 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 sale of securities in the public interest. *See WAC 480-110-525*.
- 7 (5) After reviewing the information and application Avista filed in Docket U-XXXXXX on October 21, 2010 and giving due consideration, the Commission finds that Avista is in compliance with *RCW 80.08.040*.

ORDER

THE COMMISSION ORDERS:

- 8 (1) Avista Corporation has complied with the requirements of *RCW 80.08.040* with respect to the proposals in its application to issue and sell up to \$150,000,000 of Debt securities.
- 9 (2) Avista Corporation is directed to file a Report of Securities Issued as required by *WAC 480-110-565*. Avista Corporation is also required to file verified copies of any agreement entered into in connection with any transaction pursuant to this Order. Finally, Avista Corporation shall file a verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this Order.
- 10 (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.

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 DD, YYYY.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

David Danner, Executive Secretary