

UE-11176-SF

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

June 27, 2011

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

Re: Planned Securities Issuance – Up to \$300 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 \$300 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.

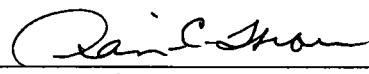
The following information is supplied in conformance with RCW 80.08.040:

(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 27th day of June, 2011.

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 Securities for purposes authorized by law, in an aggregate principal amount not to exceed \$300,000,000, which maturity shall not be less than nine (9) months nor more than thirty-five (35) years from the date of initial authorization and delivery.

The Debt Securities could be (1) secured or unsecured and (2) with the stated interest rate or rates thereon, which may be fixed or floating all of which could 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, or issued in a term loan arrangement with lenders, or issued and delivered in exchange for outstanding debt securities of the Company and/or any combination of the foregoing.

If the Company issues the secured debt it would do so by issuing First Mortgage Bonds (FMBs). 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 constitutes a lien under 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 secured 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 interest rate at the time of issuance as compared to issuing unsecured debt. These Debt Securities could have a fixed or floating interest rate. See Exhibit B for the secured fixed interest rate spreads.

If the Company issues unsecured debt, the loan would not be collateralized by any lien on any specific asset of the Company. If these Debt Securities are unsecured the creditors have a greater risk of not being able to recover their loans made to the Company because they have to wait for the secured creditors to be paid first. Unsecured debt should have a lower nationally recognized rating agency rating than if the Applicant were to issue secured debt. Unsecured debt typically has a higher interest rate at the time of issuance as compared to issuing secured debt. These Debt Securities could have a fixed or floating interest rate. See Exhibit C for the unsecured fixed interest rate spreads.

If the Company issues Debt Securities with a fixed rate, the interest rate will not change through the life of the Debt Securities.

If the Company issues Debt Securities with a floating interest rate, the interest rate will reset periodically, such as daily, weekly, monthly, quarterly, semi-annually or annually. The most common indices used for pricing floating-rate Debt Securities are based upon LIBOR, commercial paper and Treasury bills.

The Applicant proposes to issue the Debt Securities from time to time in either public offerings or private placements, for cash or in exchange for its outstanding securities. The Applicant anticipates that issuances will be issued as described in section (h) of this application. Underwriters or placement agents will be selected from a group of potential candidates. The firm or firms selected to be underwriters or placement agents in an offering under this authority will be determined by the Applicant's opinion of their ability to assist the Applicant in meeting its objectives for the Debt Securities 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 Securities to achieve the Applicant's financing and capital structure objectives. The Applicant also requests authority to issue Debt Securities without further Commission approval to the extent total spreads provided in Exhibit B or Exhibit C or is issued with an all-in coupon rate not exceeding 8.0 percent per annum in order to provide 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	\$300,000,000	100.00%
Less: Agents/Underwriters Compensation	<u>2,625,000</u>	<u>0.875%</u>
Proceeds Payable to Applicant	297,375,000	99.125%
Less: Other Issuance/Technical Services Expenses ⁽²⁾⁽³⁾	<u>1,860,000</u>	<u>0.62%</u>
Net Proceeds	<u><u>\$295,540,000</u></u>	<u><u>98.50%</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	100,000
Printing	50,000	to	75,000
Miscellaneous expenses	<u>80,000</u>	to	<u>120,000</u>
TOTAL	\$830,000		\$1,370,000

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 D – 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 \$300,000,000 of Debt)	
Securities.)	
.....)	

BACKGROUND

- 1 On June 27, 2011 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 \$300,000,000 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.*

- 4 (2) Avista is engaged in the business of providing electric 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) 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 June 27, 2011 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 \$300,000,000 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

Exhibit B

Secured-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 Securities without further Commission approval if spreads exceed what is provided in this Exhibit, in as long as the all in Coupon rate 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)
9M	1Y	185
1Y	2Y	190
2Y	3Y	195
3Y	4Y	200
4Y	5Y	205
5Y	7Y	210
7Y	8Y	215
8Y	9Y	220
9Y	10Y	230
10Y	15Y	265
15Y	20Y	240
20Y	25Y	245
25Y	30Y	245
30Y	Or more	255

Exhibit C

Unsecured Interest 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 Securities without further Commission approval if spreads exceed what is provided in this Exhibit, in as long as the all in Coupon rate 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	215
1Y	2Y	220
2Y	3Y	225
3Y	4Y	230
4Y	5Y	235
5Y	7Y	240
7Y	8Y	245
8Y	9Y	250
9Y	10Y	260
10Y	15Y	295
15Y	20Y	270
20Y	25Y	275
25Y	30Y	275
30Y	Or more	285