

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of the request of AVISTA CORPORATION for an order establishing compliance with Chapter 80.08.040 RCW)))))	Application Docket No.
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Avista Corporation (hereinafter called "Applicant") hereby requests the Washington Utilities and Transportation Commission enter a written order authorizing the Applicant to issue up to \$500 million of Debt Securities. The Debt 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 requested authority to issue Debt Securities is in addition to the authority previously granted by the Washington Utilities and Transportation Commission for the issuance of debt securities under Order No. 02, entered October 29, 2015, in Docket No. U-151822, of which \$70,000,000 remains available for issuance.

The terms of the financing are described in more detail in Section 2 of this application.

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 will use the funds from the proposed issuances for one or more of the following purposes: (a) The construction, completion, extension, or improvement of its facilities, or (b) the improvement or maintenance of its service, or (c) the issuance of stock dividends, or (d) the discharge or refunding of its obligations, or (e) the reimbursement of moneys actually expended from income or from the treasury of the Applicant to the extent permitted by RCW 80.08.030, or (f) for other purposes permitted by law.

The Applicant will utilize the proposed issuances for lawful purposes as outlined in RCW 80.08.030. Specifically, the Applicant anticipates using the debt offering to repay funds borrowed under its corporate credit facility and/or refinance long term debt.

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

Debt Securities:

The Applicant proposes to offer, issue and sell the Debt Securities for purposes authorized by law, in an aggregate principal amount not to exceed \$500,000,000, which maturity shall not be less than nine (9) months nor more than fifty (50) 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 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 can be offered in both public offerings and private placement. FMBs constitute 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. 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 meet those provided in Exhibit B and 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 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.

(4) Text of a Draft Order Granting Applicant's Request for an Order.


A copy of a draft order granting the Applicant's request for an order is attached hereto as "Exhibit D".

The undersigned, an authorized agent of the Applicant, certifies under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct to the best of my knowledge and belief, and that the proposed issuance of securities will be used for the purposes allowed by Chapter 80.08 RCW and 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.

Done at Spokane, Washington this 22nd day of December 2017.

AVISTA CORPORATION

By:



Mark Thies
Senior Vice President, CFO, and
Treasurer

Exhibit A

Estimated Net Proceeds⁽¹⁾

	<u>Total</u>	<u>Percent of Total</u>
Gross Proceeds	\$500,000,000	100.00%
Less: Agents/Underwriters Compensation	<u>4,375,000</u>	<u>0.875%</u>
Proceeds Payable to Applicant	495,625,000	99.125%
Less: Other Issuance/Technical Services Expenses ⁽²⁾⁽³⁾	<u>3,125,000</u>	<u>0.62%</u>
Net Proceeds	<u><u>\$492,500,000</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 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, 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.

Debt Securities Maturity Period		Maximum Spread Over Benchmark Treasury Yield
Greater than (>)	Less than or equal to (≤)	(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, 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.

Debt Securities Maturity Period		Maximum Spread Over Benchmark Treasury Yield
Greater than (>)	Less than or equal to (\leq)	(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