



1411 East Mission Avenue  
PO Box 3727  
Spokane, WA 99220-3727

September 11, 2015

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

Mr. King:

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 12, 2015. When complete, please send the executed copy of the Order of Approval to:

Mr. Richard N. Stevens, Director of Finance  
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 Lauren Pendergraft at 509-495-2998.

Sincerely,

A handwritten signature in blue ink, reading "Richard N. Stevens". The signature is written in a cursive style with a clear, legible script.

Richard N. Stevens  
Director of Finance

Enclosures

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 80.08.040 RCW</u>	)	

Avista Corporation (hereinafter called "Applicant") hereby requests the Washington Utilities and Transportation Commission enter a written order authorizing the Applicant to issue up to \$300 million of Debt Securities and issuance of up to 1,635,000 authorized but unissued shares of its Common Stock. 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 shares will be issued under the Applicant's Long-Term Incentive Plan.

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 August 24, 2011, in Docket No. U-111176, of which \$135,000,000 remains available for issuance.

The requested Common Stock authority is in addition to the authority previously granted by the Washington Utilities and Transportation Commission for the offering, issuance and sale of Common Stock under Order No. 01, entered October 13, 2011, in Docket No. U-111687, of which 381,664 shares remain available for award pursuant to the Company's long-term incentive plan.

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 and use the shares as an employee incentive compensation program.

**(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 \$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 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.

#### *Long-Term Incentive Plan:*

The Applicant proposes to issue up to 1,635,000 shares of authorized but unissued Common Stock under its Long-Term Incentive Plan ("LTIP"). This is in addition to the authority previously granted by the Washington Utilities and Transportation Commission under Order No. 01, entered October 13, 2011, in Docket No. U-111687, of which 381,664 shares remain available for awards pursuant to the Company's long-term incentive plan; however, if the shares awarded in 2013 through 2015 do not become fully vested, the Company would have up to 1,521,705 shares available (includes authorization from UE-051895).

The LTIP is administered by the Board of Directors of the Applicant or a committee or committees appointed by, and consisting of two or more members of the Board of Directors of the Applicant. To the extent consistent with applicable law, the Board of Directors may authorize one or more senior executive officers of the Applicant to grant awards to designated classes of eligible employees within the limits prescribed by the Board of Directors. Such shares were previously authorized by shareholders at the annual meeting dated May 7, 2015.

Such Awards issued under the LTIP may include, but are not limited to, Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Stock Awards, Performance Awards, Restricted Stock Units, Other Stock-Based Awards and Dividend Equivalent Rights. Awards may be granted singly, in combination or in tandem so that the settlement or payment of one automatically reduces or cancels the

other. Awards may also be made in combination or in tandem with, as alternatives to, or as the payment form for, grants or rights under any other employee or compensation plan of the Company.

Shares awarded under the LTIP to eligible participants can be granted subject to a vesting period and other performance measures that determine the extent of vesting. To the extent that previously awarded shares are not vested to the participants, the shares can be added back to the LTIP program.

**(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. The LTIP allows the Applicant to retain its employees and other eligible participants. 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 11<sup>th</sup> day of September 2015.

AVISTA CORPORATION


By:   
Mark Thies  
Senior Vice President, CFO, and  
Treasurer



Exhibit A

**Estimated Net Proceeds<sup>(1)</sup>**

	<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 <sup>(2)(3)</sup>	<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 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	
(>)	(≤)	(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

**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 and 1,635,000 shares of	)	
Common Stock.	)	
.....	)	

**BACKGROUND**

- 1     On September 11, 2015 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 up to \$300,000,000 of Debt Securities through either public offering or private placement and 1,635,000 shares of Common Stock through the Company’s Long-Term Incentive Plan (LTIP). The application is filed pursuant to RCW 80.08.040.
  
- 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 480-100-242 and WAC 480-90-242.*
- 7 (5) After reviewing the information and application Avista filed in Docket U-XXXXXX on September 11, 2015 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 up to \$300,000,000 of Debt Securities and 1,635,000 shares of Common Stock.
- 9 (2) Avista Corporation is directed to file a Report of Securities Issued as required by *WAC 480-100-262*, and *WAC 480-90-262*. 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 Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective MONTH DD, YYYY.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Steven V. King, Executive Secretary