

Avista Corp.

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Spokane, Washington 99220-3727
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IDAHO PUBLIC
UTILITIES COMMISSION



June 27, 2011

State of Idaho
Idaho Public Utilities Commission
Statehouse
Boise ID 83720

AVU-U-11-01

Attention: Jean D. Jewell, Secretary

Transmitted herewith are one executed and three conformed copies of an application for approval of security issuance. The application contains as much information as is presently known. If other applicable data or documents become available, they will be forwarded to your attention. A check in the amount of \$1,000.00, the maximum fee is coming under separate cover.

The Company requests to receive an Order of Approval from the Commission by August 1, 2011. When complete, please send one (1) executed copies of the Order of Approval to:

Diane C. Thoren
Treasurer
Avista Corporation
East 1411 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,

A handwritten signature in cursive script that reads "Diane Thoren".

Diane Thoren
Treasurer

Enclosures

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of)
AVISTA CORPORATION for an Order authorizing)
the offering, issuance and sale of Debt Securities)
not to exceed \$300,000,000)

CASE NO. AVO-0-11-01

Application is hereby made to the Idaho Public Utilities Commission under the provisions of Section 61-901 and 61-902, Idaho Code (Laws of 1951, Chapter 143) for an Order authorizing offering, issuance and sale by Avista Corporation (hereinafter called "Applicant") of up to \$300,000,000 of Debt Securities effective August 2, 2011.

The following information and specific exhibits are furnished in support thereof:

(a) Name and address of principal business office:

Avista Corporation
1411 East Mission Avenue
Spokane WA 99202-2600

Name of representative for service:

Diane C. Thoren, Treasurer

(b) State and date of incorporation:

Incorporated Washington Territory (now the State of Washington) on March 15, 1889. The term of incorporation is perpetual.

States in which qualified to do business:

Washington, Idaho, Montana, and Oregon.

(c) General description of business, property, and territory served:

The Applicant is a public utility which owns and operates property in Eastern Washington, Northern Idaho, Western Montana, Central & Southwest Oregon.

The Applicant is engaged in the generation, transmission, distribution, and sale of electric energy, which it sells at retail to approximately 358,545 residential, commercial, and industrial customers in Eastern Washington and Northern Idaho, and at wholesale to public utilities, municipalities and others as of March 31, 2011. Its electric properties are operated as a unified system and are interconnected with adjacent electric utilities. The electric energy sold by the Applicant is generated in power stations, which it owns in whole or in part, or obtained by purchase or exchange from other utilities and governmental agencies.

The Applicant is also engaged in the distribution and sale of natural gas to approximately 319,088 residential, commercial and industrial customers in Eastern Washington, Northern Idaho, and Central & Southwest Oregon as of March 31, 2011.

(d) Description of securities, indebtedness or liabilities:

Pursuant to Rule 142 of the Rules of Practice and Procedure, the Applicant hereby Files the application filed with the Washington Utilities and Transportation Commission as Exhibit "D-1" in lieu of the application required by Rule 141. Applicant further states that:

- (1) Applicant has published or will have published within seven days of the date of filing this Application a notice in those newspapers listed in Rule 141.08 of the Rules of Practice and

Procedure of the Idaho Public Utilities Commission that are in general circulation in Applicant's service area.

Exhibit D-1

[insert form of Washington application]

Exhibit D-2

[insert form of Order]

WHEREFORE, the Applicant respectfully requests the Idaho Public Utilities Commission for an Order authorizing Avista Corporation (hereinafter called "Applicant") to issue up to and including \$300,000,000 of Debt Securities, effective August 2, 2011.

Dated to Spokane, Washington, this 27th day of June, 2011.

AVISTA CORPORATION

By *Diane C. Thoren*
Diane C. Thoren, Treasurer

STATE OF WASHINGTON

County of Spokane

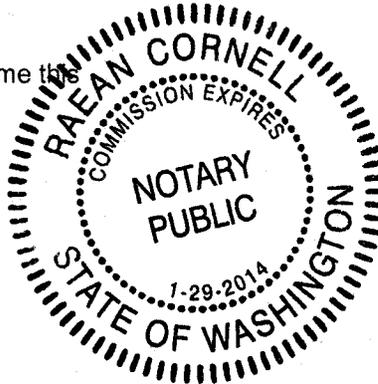
)
)
)

Diane C. Thoren, being duly sworn, under penalty of perjury deposes and says: That she is Treasurer of AVISTA CORPORATION; that she has read the foregoing application and knows the contents thereof; and that the same is true of her own knowledge and belief, and as to those matters she believes them to be true.

Diane C. Thoren
Diane C. Thoren, Treasurer

SUBSCRIBED AND SWORN to before me this
27th day of June, 2011.

Rae Ann Cornell
Notary Public for Washington



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 L 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 M 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 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.

		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

PROPOSED ORDER OF APPLICANT

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF) AVISTA CORPORATION FOR AN ORDER) AUTHORIZING THE OFFERING, ISSUANCE AND) SALE OF DEBT SECURITIES NOT TO) EXCEED \$300,000,000)	CASE NO. ORDER NO.
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On June 27, 2011, Avista Corporation (Avista) filed an Application with the Idaho Public Utilities Commission (Commission) requesting an Order authorizing the offering, issuance and sale by Avista of up to \$300,000,000 of secured fixed or variable rate debt securities (the Securities). The Commission, having fully considered the Application and exhibits attached thereto, and all of the Commission's files and records pertaining to the Application, makes the following findings of fact and conclusions of law, and enters this Order approving Avista's Application.

THE APPLICATION

Avista proposes to receive authorization to offer, issue and sell the Securities including, without limitation, any refunding, extension, renewal or replacement of any of the Securities. The net proceeds will be used for (a) the improvement or maintenance of its service; (b) the discharge or lawful refunding of its obligations; (c) the reimbursement of moneys actually expended for said purposes from income or from other moneys in the treasury not secured by or obtained from the issue, assumption or guarantee of securities; or (d) any other purpose approved by the Commission or authorized by law. Avista requests authority to refund, extend, renew or replace the proposed securities to allow for the greatest flexibility in their use.

No person has received or will be entitled to receive from Avista any fee (1) for services in connection with the consummation of the issuance and sale of the above-referenced securities, other than fees for underwriting, private placement, legal, accounting or similar professional or technical services, or (2) for services in securing underwriters, sellers or purchasers of the securities. Avista is a Washington corporation qualified to do business in the State of Idaho.

**FINDINGS OF FACT AND
 CONCLUSIONS OF LAW**

Avista is a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy and the purchase, distribution and sale of natural gas. Avista is a gas corporation within the definition of *Idaho Code* § 61-117, an electric corporation within the definition of *Idaho Code* § 61-119, and a public utility within the definition of *Idaho Code* § 61-129. The Commission has jurisdiction over this Application pursuant to the provisions of *Idaho Code* § 61-901, et seq. The Commission further finds that the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure, IDAPA 31.01.01.141-150.

The Commission finds that the proposed issuance is for a lawful purpose and is within Avista's corporate powers. The proposed issuance and redemption of maturing debts provide an opportunity for Avista to reduce borrowing costs and increase flexibility with future refinance options.

The Commission further finds that the proposed transaction is in the public interest and a formal hearing on this matter is not required.

The Commission's approval of the issuance is not a finding of fact or a conclusion of law that the particular use to which these funds are to be put is approved by this Order. The issuance of an Order authorizing the proposed issuance does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes. The Commission does not have before it for determination in this case and, therefore, does not determine the effect of issuance on rates to be charged by Avista for gas or electric service to consumers in the State of Idaho. The Commission further finds that the proposed transaction is in the public interest and a formal hearing on this matter is not required. Avista has paid all lawful fees as provided by *Idaho Code* § 61-905.

ORDER

IT IS HEREBY ORDERED that Avista Corporation, as of August 2, 2011, is hereby authorized to offer, issue and sell up to and including \$300,000,000 in Debt Securities, all as described in the Application filed on June 27, 2011.

IT IS FURTHER ORDERED that Avista is hereby authorized to issue the Securities in the manner and for the purposes described in the Application, with continuing authority to refund, extend, renew or replace the same without further order of the Commission provided that the fees, interest rates and expenses charged or incurred in connection with any transactions entered into under the authority of the Order, and any refunding, extension, renewal or replacement thereof, are competitive with market prices for similar transactions and the senior secured debt has investment grade ratings from at least two nationally recognized rating agencies.

IT IS FURTHER ORDERED that Avista shall file the terms of the proposed issuance(s) of the Securities and any subsequent changes to the terms with Staff upon issuance. This informational filing should be made seven (7) days, or as soon as possible, prior to the Issuance.

IT IS FURTHER ORDERED that Avista shall file, as soon as they become available and update if any changes occur, the following:

- (a) The "Report of Securities Issued," and
- (b) Verified copies of any Agreement entered into pursuant to this Order.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of the Commission with respect to rates, utility capital structure, service accounts, valuation, estimates for determination of cost or any other matter which may come before this Commission pursuant to its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provisions of Chapter 9, Title 61, Idaho Code, or any act or deed done or performed in connection therewith shall be construed to obligate

the State of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of Chapter 9, Title 61 Idaho Code.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of Avista's exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this XXth day of MONTH, YYYY.

, COMMISSIONER

, COMMISSIONER

, COMMISSIONER

ATTEST:

Commission Secretary