

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER HANSEN  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE**

**FROM: TOM MCKEOWN AND TERRI CARLOCK**

**DATE: DECEMBER 28, 2005**

**RE: IN THE MATTER OF AVISTA CORPORATION'S APPLICATION FOR  
AUTHORITY TO ISSUE OF UP TO 7,000,000 SHARES OF AUTHORIZED  
BUT UNISSUED COMMON STOCK; CASE NO. AVU-U-05-2.**

On December 7, 2005, Avista Corporation (Avista) applied for authority to offer, issue and sell up to 7,000,000 shares of authorized but unissued Common Stock, without par value, ("Common Stock") under both the Applicant's Periodic Offering Program (2,000,000) and its Long-Term Incentive Plan (5,000,000). The proceeds will be used for one or more of the following purposes: (a) the acquisition of property, or the construction, completion, extension, or improvement of its facilities, (b) the improvement or maintenance of service, (c) the discharge or refunding of its obligations, (d) the reimbursement of moneys actually expended from income or from the treasury of Avista to the extent permitted, or (e) for other purposes permitted by law.

Avista proposes that the 2,000,000 Common Stock issued and sold under the Periodic Offering Program will be subject to the following pricing limitations: the price received by Avista, before agent commission, will not be less than \$0.25 below the last price at which Avista's Common Stock was reported in the record of composite quotations published in the Wall Street Journal on the trading day immediately preceding the day for the fixing of such price, and will also not be less than 100% of the book value per share of Avista's Common Stock as of the last day of the most recently ended calendar year.

Avista proposes to issue up to 5,000,000 shares of authorized but unissued Common Stock under its Long-Term Incentive Plan ("LTIP"). Avista has issued awards under the LTIP and is currently using open market purchases to fulfill its obligations under the LTIP. Avista would also like the flexibility to issue authorized but unissued shares of Common Stock to more effectively

improve the common equity ratio of its capital structure and reduce costs associated with issuing stock through underwritings.

### **STAFF RECOMMENDATION**

The proposed methods of Common Stock issuance provides an opportunity for Avista to reduce underwriting costs and provides flexibility in meeting its Long Term Incentive Plan commitments. Staff recommends approval of the requested Common Stock issuance authority. However, Staff recommends that Avista be required to file a status report with the Commission reflecting pertinent quarterly financial information to include the following: (a) Debt to Equity Ratio, (b) Enterprise Value, (c) Net Income Available to Common Stock, and (d) Common Shares Outstanding. Staff proposes to work on an acceptable format with Avista to meet these recommended filings.

### **COMMISSION DECISION**

Does the Commission accept Staff's recommendations to:

1. Approve Avista's request to issue up to 2,000,000 shares of authorized but unissued Common Stock, without par value, under a periodic offering program.
2. Approve Avista's request to issue up to 5,000,000 shares of authorized but unissued Common Stock under its Long Term Incentive Plan.
3. Approve Staff's recommended additional filing requirements and for Staff to work with Avista to structure the format.



Tom McKeown

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