

DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
WORKING FILE

FROM: TERRI CARLOCK
KRIS SASSER

DATE: FEBRUARY 21, 2008

SUBJECT: AVISTA CORPORATION'S APPLICATION FOR AUTHORITY TO
ISSUE UP TO \$350,000,000 OF DEBT, CASE NO. AVU-U-08-01

On February 4, 2008, Avista Corporation (Avista) applied for authority to offer, issue and sell up to \$350,000,000 of secured fixed rate bonds. The proceeds will be used for one or more of the following purposes: (a) the Company's construction, facility improvement, and maintenance programs, (b) to retire or exchange one or more outstanding stock, bond, or note issuances, (c) to reimburse to the treasury for funds previously expended, and (d) for such other purposes as may be permitted by law. More specifically, the Company anticipates using the proceeds from the issuance of the bonds to refinance debt maturities of \$318 Million due in 2008 and to repay funds borrowed under its corporate credit facility to meet the 2008 capital expenditures budget of \$190 Million.

The issuance of the bonds may be in two series with terms of 10-31 years. The actual amount issued and the maturities selected for the bonds will be determined based on market conditions, investor demand and on the Company's current maturity schedule. The cost to maturity for First Mortgage Bonds is not expected to exceed 7% with total fees of approximately \$4.6 Million. The first series will be used in part to replace the 9.75% bonds due June 1, 2008. Avista's current bond ratings are Baa2 by Moody's, BBB+ by S&P and BBB by Fitch. The capital structure due to the issuances will change substantially. The debt ratio at September 30, 2007 was 60% with Avista continuing to meet all ratio requirements.


The Company also requests authority to issue the bonds without further Commission approval to allow additional flexibility. The issuance would allow the Company greater flexibility to manage its funds and reduce borrowing costs, thereby permitting the Company to better manage its debt and capital in a more efficient and cost effective manner.

STAFF RECOMMENDATION

Staff recommends approval of the proposed issuance. In addition, it is recommended that the authority under this initial approval be continuing.

COMMISSION DECISION

1. Does the Commission wish to approve Avista's request to issue up to \$350,000,000 of secured fixed rate bonds?
2. Does the Commission wish to allow its authority under this Order to be continuing to allow flexibility?



Terri Carlock

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