

DECISION MEMORANDUM

**TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: OCTOBER 31, 2008

**RE: AVISTA CORPORATION'S APPLICATION FOR AUTHORITY TO
ISSUE NOT TO EXCEED \$83,700,000 OF DEBT; CASE NO. AVU-U-08-3.**

On October 14, 2008, Avista Corporation (Avista) filed a request to issue debt securities for an aggregate amount not to exceed \$83,700,000. The issuance is in connection with the refunding or conversion of obligations related to pollution control bonds by the City of Forsyth, Montana. The bonds support pollution control and solid waste disposal facilities at Colstrip Units 3 and 4.

The term interest rate period for the current bonds is scheduled to end December 30, 2008. Avista will be required to repurchase and remarket the bonds. The terms, provisions and conditions, including the interest rates, whether fixed or variable, and maturity, credit enhancement and/or liquidity support will be negotiated at the time of issuance. The current pollution control bond market may remain volatile making it more economic to redeem the bonds in December but reissue new bonds later in 2009 when the market is more stable. In the interim, short-term financing would be utilized to fund the repurchase.

The Company also requests authority to issue, redeem and reissue securities under this authority without further Commission approval to allow additional flexibility. The issuance will allow the Company greater flexibility to manage any remarketing provisions, level of funds and minimize 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 requested \$83.7 million debt securities to refund the pollution control bonds. Staff also recommends the authority under this approval be continuing to

allow issuance, remarketing, redemption and reissuance of securities under this authority without further approval. Staff recommends notification of issuances and standard reporting requirements.

COMMISSION DECISION

Does the Commission wish to approve the requested authority for \$83.7 million debt for pollution control bond refinancing with the recommended notification and reporting requirements?

gdk For Terri Carlock
Terri Carlock

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