

DECISION MEMORANDUM

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

FROM: TERRI CARLOCK

DATE: OCTOBER 7, 2010

SUBJECT: AVISTA CORPORATION'S APPLICATION FOR AUTHORITY TO
ENTER INTO CREDIT FACILITIES UP TO \$600,000,000;
CASE NO. AVU-U-10-01

On September, 16, 2010, Avista Corporation (Avista) applied for authority to enter into one or more debt credit facilities up to \$600,000,000 in total. The term of the facilities will be for five years subject to extensions not to exceed two years if the Company and the banks agree. The credit facilities may include issuance of secured or unsecured bonds, notes or other indebtedness. It is proposed that any guarantee of indebtedness may be refunded, extended, renewed or replaced within the authorized timeframe.

The proceeds will be used for one or more of the following purposes: (a) the Company's acquisition, construction, completion, extension or improvement of facilities, (b) the improvement or maintenance of service, (c) retirement or exchange of one or more outstanding stock, bond, or note issuances, (c) reimbursement to the treasury for funds previously expended, and (d) for such other purposes as may be permitted by law. The requested authority will replace current facilities set to expire in April 2011.

The estimated fees and borrowing spreads will be based on the Company's current senior secured debt rating and current market information. Avista's current bond ratings are BBB+ by S&P and Baa1 by Moody's. This currently places Avista in Pricing Level III where the facility fee would be 0.50%. Avista will only enter into transactions where the fees, interest rates and expenses charged or incurred by Avista in connection with the transactions and any refunding, extensions, renewals or replacements are competitive with market prices for similar transactions.

The Company also requests authority to issue, refund, extend, renew or replace indebtedness under the credit facility without further Commission approval. The issuance would allow the Company greater flexibility to manage its daily cash 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 credit facilities up to \$600,000,000 in total. Staff also recommends the authority be for five years with allowed extensions up to two additional years. If the extensions are exercised, Staff recommends the Company be required to file an informational letter notifying the Commission of any extensions under this authority. In addition, it is recommended that the authority under this initial approval be continuing (without further order required) for the five-year term plus any extensions provided Avista maintains senior secured debt ratings that are investment grade, BBB-/Baa3 or at least Pricing Level V. The Company agrees with Staff's recommendations.

COMMISSION DECISION

1. Does the Commission wish to approve Avista's request to issue up to \$600,000,000 in one or more credit facility?
2. Does the Commission wish to authorize a term of five years with extensions up to two years?
3. Does the Commission wish to require Avista file an informational letter if extensions are exercised?
4. Does the Commission wish to allow its authority under this Order to be continuing during the authorized term provided the senior secured debt rating levels remain investment grade?



Terri Carlock