

DECISION MEMORANDUM

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

FROM: TERRI CARLOCK

DATE: AUGUST 19, 2011

SUBJECT: AVISTA CORPORATION'S APPLICATION FOR AUTHORITY TO
ISSUE AND SELL DEBT SECURITIES UP TO \$450,000,000;
CASE NO. AVU-U-11-01

On June 28, 2011, Avista Corporation (Avista) applied for authority to issue and sell debt securities up to \$300,000,000 in total. Two extensions of time were requested and an amended Application was filed on August 12, 2011 by Avista to increase the requested authority to \$450,000,000. Avista published the public notices as required for both the original and amended requests. The required fees have been received.

The debt securities under the requested authority may be issued as secured or unsecured instruments, at a fixed or floating rate with maturities from 9 months to 35 years. Any secured debt issued will be First Mortgage Bonds with a lien under the Mortgage and Deed of Trust.

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. Issuances under the requested authority provide an opportunity for Avista to reduce overall borrowing costs and increase flexibility with future refinancing options.

The estimated fees and borrowing spreads will be based on the Company's current senior secured debt rating and current market information at the time of issuance. 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 Shelf Authority would be continuing provided the senior secured debt has investment grade ratings from at least two nationally recognized rating agencies. 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 debt authority up to \$450,000,000 in total. Staff also recommends the authority under this initial approval be continuing (without further order required) provided Avista maintains senior secured debt ratings that are investment grade, BBB-/Baa3.

COMMISSION DECISION

1. Does the Commission wish to approve Avista's request for authority to issue and sell debt securities up to \$450,000,000?
2. 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

TC:AVU-U-11-1 Debt 450M dm8 2011