

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)	
CORPORATION'S APPLICATION FOR)	CASE NO. AVU-U-11-02
AUTHORITY TO ISSUE UP TO 5,500,000)	
SHARES OF AUTHORIZED BUT)	ORDER NO. 32381
UNISSUED COMMON STOCK)	

On September 16, 2011, Avista Corporation applied to the Idaho Public Utilities Commission under *Idaho Code* §§ 61-901 and 61-902 for an Order authorizing Avista to offer, issue, and sell up to 5,500,000 shares of authorized but unissued Common Stock, without par value ("Common Stock"), under one or more methods.

The Commission, having fully considered Avista's Application (including its attached exhibits) and the record in this matter, enters this Order approving the Application as noted below.

THE APPLICATION

Avista proposes to issue up to 4,500,000 shares of Common Stock through methods including, without limitation, periodic offering programs, direct sales, or underwritten transactions. *See* Application at 1. Avista also proposes to issue up to 1,000,000 shares of Common Stock through the Company's Long-Term Incentive Plan. *Id.*

Avista says any shares sold under periodic offering programs will be subject to pricing limitations. First, the price per share 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. Second, the price per share received by Avista, after any agent commission, will 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 quarter. *See* Application Exhibit D-1 at 1-2.

Avista says any shares sold under direct sales and underwritten transactions will be based on current market conditions. *See* Application Exhibit D-1 at 2.

Avista says it will use the resulting proceeds for one or more of the following purposes: (a) to improve or maintain its service; (b) to discharge or refund its obligations; (c) to

reimburse moneys actually expended for such purposes from Avista's income or other moneys in its treasury not secured by or obtained from the issue, assumption, or guarantee of securities; (d) to acquire property, or to construct, complete, extend or improve its facilities; (e) to issue stock dividends; or (f) for any other purpose approved by the Commission or authorized by law. *See* Application Exhibit D-1 at 1 and Exhibit D-2 at 1.

Avista says the requested authority will allow it to maintain and/or improve its debt to equity ratio over time by issuing additional Common Stock under periodic offering programs, direct sales or underwritten transactions, and to retain its employees and other eligible participants in the Company's Long-term Incentive Plan. *See* Application Exhibit D-1 at 2. The proposed issuance and redemption of maturing debts also will allow the Company to reduce its borrowing costs and increase flexibility with future refinance options and otherwise manage its funds. *See* Application Exhibit D-1 at 2 and Exhibit D-2 at 2.

Avista represents that no one has received or will be entitled to receive from Avista any fee for services in (a) connection with the consummation of the issuance and sale of the proposed securities, other than fees for underwriting, private placement, legal, accounting or similar professional or technical services, or (b) securing underwriters, sellers or purchasers of the securities. *See* Application Exhibit D-2 at 1.

STAFF REVIEW

Commission Staff reviewed Avista's Application. Staff observed that the proposed methods of Common Stock issuance provide an opportunity for Avista to reduce underwriting costs and provide flexibility in meeting its financing requirements. Consistent with prior Orders, Staff does not believe it is appropriate for Avista to issue stock to pay dividends. Staff otherwise recommended the Commission approve the requested Common Stock issuance authority. Staff further recommended that, consistent with prior Orders, the Commission require Avista to file status reports 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.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Commission finds that Avista is a Washington corporation that is qualified to do business in Idaho. The Company is a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy and the purchase, distribution, and sale of

natural gas. The Company is a gas corporation within the definition of *Idaho Code* § 61-117, an electric corporation within the definition of *Idaho Code* § 61-119, and a public utility within the definition of *Idaho Code* § 61-129. The Commission has jurisdiction over this Application pursuant to the provisions of *Idaho Code* § 61-901, *et seq.*

Avista's Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure (IDAPA 31.01.01.141-150), and Avista has paid all fees required by *Idaho Code* § 61-905.

The proposed issuance is for a lawful purpose, is within Avista's corporate powers, and is generally compatible with the public interest. However, the Company's proposal to issue Common Stock for purposes of paying dividends is not in the public interest. Dividends are a payment of return on or return of investment, and issuing stock to make these dividend payments is not appropriate.

The proposed issuance provides an opportunity for Avista to reduce underwriting costs and provides flexibility in meeting its financing requirements.

The method of issuance is proper.

The Commission's approval of the issuance is not a finding of fact or a conclusion of law that the particular use to which these funds are to be put is approved by this Order. The issuance of an Order authorizing the proposed issuance does not constitute agency determination or approval of the type of financing or the related costs for ratemaking purposes. The Commission does not have before it for determination in this case and therefore does not determine the effect of issuance on rates to be charged by Avista for gas or electric service to consumers in the State of Idaho.

ORDER

IT IS HEREBY ORDERED that Avista's Application for authority to offer, issue, and sell up to 5,500,000 shares of Common Stock consisting of up to 4,500,000 shares through periodic offering programs, direct sales, or underwritten transactions, and up to 1,000,000 shares of Common Stock through the Company's Long-Term Incentive Plan, is granted subject to the following limitations:

1. With regard to shares offered, issued, or sold through periodic offering programs, the price per share received by Avista, before agent commission, must 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. Second, the price per share received by Avista, after any agent commission, must 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 quarter; and

2. Avista shall not issue Common Stock for purposes of paying dividends.

IT IS FURTHER ORDERED that Avista shall file the following as they become available:

1. The "Report of Securities Issued" required by 18 C.F.R. § 34.10.
2. Verified copies of any agreement entered into in connection with the Company's sales and issuances of the Shares.

IT IS FURTHER ORDERED that Avista must 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.

IT IS FURTHER ORDERED that the issuance of this Order does not constitute acceptance of Avista's exhibits or other material accompanying this Application for any purpose other than the issuance of this Order.

IT IS FURTHER ORDERED that nothing in this Order or any act or deed performed in connection with this Order shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of this Order.

IT IS FURTHER ORDERED that this authorization is without prejudice to the Commission's regulatory authority regarding rates, service, accounts, evaluation estimates or determination of costs or any other matter which may come before the Commission pursuant to its jurisdiction and authority as provided by law.

THIS IS A FINAL ORDER. Any person interested in the Order (or in issues decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order and in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code §§ 61-626 and 62-619.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 13th
day of October 2011.



PAUL KJELLANDER, PRESIDENT

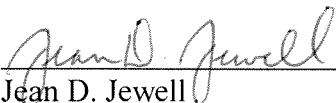


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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