

DECISION MEMORANDUM

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

FROM: TERRI CARLOCK

DATE: OCTOBER 6, 2011

**RE: IN THE MATTER OF AVISTA CORPORATION'S APPLICATION FOR
AUTHORITY TO ISSUE OF UP TO 5,500,000 SHARES OF AUTHORIZED
BUT UNISSUED COMMON STOCK; CASE NO. AVU-U-11-2.**

On September 16, 2011, Avista Corporation (Avista) applied for authority 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. Under the proposed issuance, 4,500,000 shares may be issued, but not limited to, periodic offering programs, direct sales or underwritten transactions and 1,000,000 shares through the Long-Term Incentive Plan.

The proceeds will be used for one or more of the following purposes: (a) acquisition of property, construction, completion or improvement of facilities, (b) the improvement or maintenance of service, (c) the reimbursement of moneys actually expended from income or from the treasury of Avista to the extent permitted, or (d) other purposes approved by the Commission or permitted by law. Staff does not believe it appropriate to issue stock to pay dividends.

Shares issued and sold under the periodic offering programs will be subject to pricing limitations. First, the price 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. Also, the price 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. Shares sold under direct sales and underwritten transactions will be based on current market conditions.

The issuance will allow Avista the flexibility to issue authorized but unissued shares of Common Stock to maintain an adequate common equity ratio for its capital structure, strengthen its

balance sheet and reduce costs associated with issuing stock through underwritings. This authority will provide flexibility to finance anticipated capital expenditure programs. It also allows flexibility to time the refunding of debt and preferred stock maturities.

STAFF RECOMMENDATION

The proposed methods of Common Stock issuance provides an opportunity for Avista to reduce underwriting costs and provides flexibility in meeting its financing requirements. Staff recommends approval of the requested Common Stock issuance authority. Consistent with prior Orders, Staff also recommends that Avista be required 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.

COMMISSION DECISION

Does the Commission accept Staff's recommendations to:

1. Approve Avista's request to issue up to 5,500,000 shares of authorized but unissued Common Stock, without par value.
2. Approve Staff's recommended additional filing requirements.


Terri Carlock

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