

Avista Corp.
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170



RECEIVED

2013 DEC -4 PM 2:47

IDAHO PUBLIC UTILITIES COMMISSION

December 3, 2013

State of Idaho
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702-5983

AVU-U-13-01

Attention: Ms. Jean Jewell, Secretary

Re: In the Matter of the Application of Avista Corporation for an Order Authorizing the Issuance of up to 7,250,000 shares of Common Stock.

Dear Ms. Jewell:

Enclosed for filing with the Commission are an original and seven (7) copies of the Application of Avista Corporation for an Order Authorizing the Issuance of up to 7,250,000 shares of Common Stock.

Please direct any questions regarding this filing to Patrick Ehrbar at (509) 495-8620.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Meyer", with a horizontal line extending to the right.

David J. Meyer
Vice President and Chief Counsel for Regulatory
and Governmental Affairs

Enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation's Application for Common Stock Issuance by mailing a copy thereof, postage prepaid, to the following:

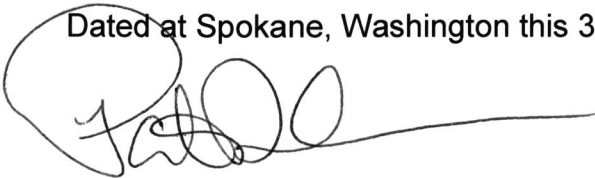
Ms Jean D Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702-5983

Marv Lewallen
Clearwater Paper
601 W. Riverside Avenue
Suite 1100
Spokane, WA 99201
marv.lewallen@clearwaterpaper.com

Dean J. Miller
McDevitt & Miller LLP
P.O.Box 2564
Boise, ID 83701
Email: joe@mcdevitt-miller.com

Larry A Crowley
The Energy Strategies Institute Inc
5549 S. Cliffsedge Ave
Boise, ID 83716
Email: crowlyla@aol.com

Dated at Spokane, Washington this 3rd day of December 2013.



Patrick Ehrbar
Manager, Rates & Tariffs

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

RECEIVED

2013 DEC -4 PM 2:47

In the Matter of the Application of)
AVISTA CORPORATION for an Order authorizing)
the issuance of up to 7,250,000 shares of)
Common Stock)

CASE NO. AVU-U-13-01

Application is hereby made by Avista Corporation ("Avista" or "Applicant") to the Idaho Public Utilities Commission ("Commission") under the provisions of Section 61-901 and 61-902, Idaho Code (Laws of 1951, Chapter 143) for an Order authorizing the proposed issuance by the Applicant of up to 7,250,000 of authorized but unissued shares of its Common Stock, for the purposes described later in this Application.

The following information and specific exhibits are furnished in support thereof:

(a) Name and address of principal business office:

Avista Corporation
1411 East Mission Avenue
Spokane WA 99202

Name of representative for service:

David J. Meyer, Esq. Chief Counsel for Regulatory and Governmental Affairs Avista Corporation P.O. Box 3727 1411 East Mission Avenue, MSC-13 Spokane, Washington 99220-3727 Phone: (509) 495-4316 Fax: (509) 495-8851	Kelly Norwood Vice President, State and Federal Regulation Avista Corporation P.O. Box 3727 1411 East Mission Avenue, MSC-13 Spokane, Washington 99220-3727 Phone: (509) 495-4267 Fax: (509) 495-8851
---	---

(b) State and date of incorporation:

Incorporated Washington Territory (now the State of Washington) on March 15, 1889. The term of incorporation is perpetual.

States in which qualified to do business:

Washington, Idaho, Montana, and Oregon.

(c) General description of business, property, and territory served:

The Applicant is a public utility which owns and operates property in Eastern Washington, Northern Idaho, Western Montana, and Central & Southwest Oregon.

The Applicant is engaged in the generation, transmission, distribution, and sale of electric energy, which it sells at retail to approximately 362,000 residential, commercial, and industrial customers, as of September 30, 2013, in Eastern Washington, Northern Idaho and Western Montana, and at wholesale to public utilities, municipalities and other parties. Its electric properties are operated as a unified system and are interconnected with adjacent electric utilities. The electric energy sold by the Applicant is generated in power stations, which it owns in whole or in part, or is obtained by purchase or exchange from other parties.

The Applicant is also engaged in the distribution and sale of natural gas to approximately 322,000 residential, commercial and industrial customers, as of September 30, 2013, in Eastern Washington, Northern Idaho, and Central & Southwest Oregon.

(d) Description of securities, indebtedness or liabilities:

On November 4, 2013, Avista entered into an Agreement and Plan of Merger (Merger Agreement), with Alaska Merger Sub, Inc. (Merger Sub), and Alaska Energy and Resources Company (AERC). Merger Sub is a wholly-owned corporation of Avista and was created solely for the purpose of facilitating Avista's acquisition of AERC, which includes the utility operations of Alaska Electric Light and Power (AEL&P). Upon receipt of all necessary approvals, Merger Sub would merge with and into AERC and dissolve as a corporate entity, leaving AERC as a wholly-owned subsidiary of Avista. AEL&P is a vertically integrated electric utility providing electric service to the City and Borough of Juneau, Alaska, and is regulated by the Regulatory Commission of Alaska (RCA).

At the closing of the acquisition of AERC by Avista, the issued and outstanding shares of AERC common stock would be exchanged for shares of Avista common stock, per the terms of the Merger Agreement. The purchase price for AERC at closing is \$170 million, less the assumption of then-outstanding debt and other closing adjustments per the Merger Agreement. Using current projections, the value of Avista common stock to be issued in exchange for AERC common stock is estimated to be \$145 million. The actual number of shares of Avista common stock to be issued is dependent on the closing price of Avista's shares over the 10 trading days preceding the closing of the transaction. Using only Avista's closing stock price on November 26, 2013 (\$27.18), the Company would issue approximately 5.3 million shares of common stock to AERC shareholders to complete the transaction subject to the above adjustments. The actual share price utilized to determine the number of Avista common shares to be issued will be set at closing (subject to a floor per share price of \$21.48 and a ceiling per share price of \$34.30). Additionally, the currently estimated \$145 million net consideration will change at closing based upon the actual amount of debt outstanding, and other adjustments per the Merger Agreement, at that time. Avista is requesting authority to issue up to 7,250,000 shares of common stock.¹ Avista's request for authorized shares up to 7,250,000 shares is limited to the acquisition of AERC. Any unused shares of the 7,250,000 related to the AERC acquisition would be terminated. Following the closing of the transaction, debt would be issued at AEL&P and AERC to rebalance the capital structure to achieve a capital structure for AERC that is comparable to the existing capital structure at Avista. This debt would be backed by the assets of AEL&P and AERC, and not the utility assets of Avista. The end result will be that Avista's utility customers will experience the same capital structure after the completion of the transaction, as they currently do prior to the transaction.

As part of the rebalancing of the capital structure at AEL&P and AERC, funds would be transferred from AERC to Avista, which would be used to fund the utility capital budget and utility operating costs at Avista. Therefore, a portion of the proceeds from the initial common equity issuance would ultimately be used to fund the utility capital budget and utility operating costs at Avista. That is, absent the issuance of Avista common stock related to the AERC transaction, Avista would have otherwise issued approximately \$70 million of common equity to fund the utility operations of Avista.

Following the announcement of the Agreement, Standard and Poor's affirmed the credit rating of Avista as stable, and Moody's stated that the acquisition of AERC was credit neutral.

The corporate structure of Avista both before and after completion of the proposed acquisition of AERC is provided on pages 1 and 2 of Exhibit D-1. A copy of the Merger Agreement itself is provided in Exhibit D-2.

¹ The requested authority to issue the 7.25 million shares of Common Stock is in addition to the authority previously granted by the Commission through Order No.(s) 25362, 29947, and 32381.

AEL&P is a wholly-owned subsidiary of AERC, and would continue to be a wholly-owned subsidiary of AERC following the completion of the proposed acquisition by Avista. AEL&P would continue to be operated by the same employees operating the utility today, including the existing management team of AEL&P. AEL&P has 60 full-time employees. AEL&P serves approximately 15,900 retail customers under the authority of the Regulatory Commission of Alaska, and is the sole electric utility serving the City and Borough of Juneau.

The customers, service territory, facilities and generating resources of AEL&P are geographically and electrically isolated, which limits Avista's opportunity to integrate AEL&P's operations with its existing utility operations in Washington, Idaho and Oregon. Avista intends to hold and manage AEL&P as a stand-alone utility, as shown in the corporate structure on page 2 of Exhibit D-1. Exhibit D-3 provides additional details related to AEL&P. Page 1 shows the current corporate structure for AERC, including AEL&P. Page 2 includes a map showing the service area of AEL&P, as well as the location of its major generation and transmission facilities. Page 3 of Exhibit D-3 shows the installed capacity of owned and contracted-for generating facilities, as well as the actual energy production from the facilities during 2012.

To the extent Avista employees dedicate time and incur costs supporting the operation of AERC and AEL&P, those costs would be separately tracked and directly assigned to AERC and AEL&P. Likewise, if AEL&P employees were to provide support for Avista's utility operations, such costs would be directly assigned to Avista. The Company expects such assignment of costs, both to AEL&P and from AEL&P, to be relatively small since AEL&P will continue to operate as a standalone utility. In the future, if opportunities arise for the consolidation of certain Avista and AEL&P utility functions, it may be appropriate to propose some form of cost allocation between the two utilities.

With regard to Avista's existing subsidiary operations, some of Avista's general office employees spend time providing services and support to our existing subsidiaries. These employee costs are charged to suspense accounts (Deferred Debit Account No. 186), are loaded for benefits, and are then established as a receivable (FERC Account No. 146) when billed to the subsidiary.² If other resources are expended during the course of this work, such as travel or consulting services, these costs are also charged to suspense accounts and billed to the subsidiary. All corporate services provided, and costs incurred, are direct billed to subsidiaries at cost. No additional margin or profit is included and no assets are allocated. This assignment of Avista employee costs, which are then billed back to the subsidiary at cost, serve to reduce the utility's expenses. Avista will use the same methodology for direct assignment of costs to the proposed AERC and AEL&P subsidiary operations, as per the attached Protocol for Direct Assignment in Exhibit D-4. Avista's existing utility customers would see a slight reduction of costs (benefit) as a result of this direct assignment of costs.

Pursuant to Rule 142 of the Rules of Practice and Procedure, the Applicant hereby attaches the application filed with the Washington Utilities and Transportation Commission as Exhibit D-5 in lieu of the application required by Rule 141. Applicant further states that:

(1) The Proposed Accounting:

Avista is purchasing AERC for \$170 million less the assumption of debt and other closing adjustments in accordance with the terms of the Merger Agreement entered into on November 4, 2013. The net consideration, after adjustments for debt assumed and other closing adjustments, is approximately \$145 million. Any debt assumed on the books of AERC and AEL&P will be non-recourse to Avista.

² Avista determines office space costs per square foot (including building costs, common area costs, computer workstation costs, copier expense and annual office furniture rental, etc.), and using the relationship of labor hours charged to subsidiary activities by employee compared to total labor hours by employee, assigns those costs to the subsidiary operations.

Avista Corp. will issue approximately \$145 million of common equity securities to the holders of AERC's common stock at closing, in exchange for 100 percent of the common stock of AERC. Avista's proposed accounting for this transaction is provided in Exhibit D-6.

(2) Applicant has published or will have published within seven days of the date of filing this Application a notice in those newspapers listed in Rule 141.08 of the Rules of Practice and Procedure of the Idaho Public Utilities Commission that are in general circulation in Applicant's service area.

(3) Applicant respectfully requests the issuance of an order within sixty (60) days of the filing of this Application.

(4) Attached Exhibits:

Exhibit D-1 Avista's Corporate Structure Before and After Transaction

Exhibit D-2 Agreement and Plan of Merger

Exhibit D-3 Additional Information Related to AERC and AEL&P

Exhibit D-4 Protocol for Direct Assignment

Exhibit D-5 Copy of Washington Application

Exhibit D-6 Proposed Accounting

Exhibit D-7 Form of Idaho Order

WHEREFORE, the Applicant respectfully requests that the Commission issue an Order granting Avista the authorization for the proposed issuance of up to 7,250,000 authorized but unissued shares of its Common Stock, for the purposes explained in this Application.

Dated to Spokane, Washington, this 3rd day of December, 2013.

AVISTA CORPORATION

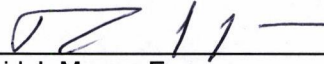
By  _____
David J. Meyer, Esq.
Vice President & Chief Counsel for Regulatory &
Governmental Affairs

STATE OF WASHINGTON

)
)
)


County of Spokane

David J. Meyer, being duly sworn, under penalty of perjury deposes and says: That he is Vice President & Chief Counsel for Regulatory & Governmental Affairs of AVISTA CORPORATION; that he has read the foregoing application and knows the contents thereof; and that the same is true and correct to the best of his knowledge and belief.



David J. Meyer, Esq.
Vice President & Chief Counsel for Regulatory &
Governmental Affairs

SUBSCRIBED AND SWORN to before me this
3rd day of December 2013.


Patty L. Hanson
Notary Public for Washington