

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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In the Matter of the Application of)
AVISTA CORPORATION for an Order authorizing)
the offering, issuance and sale of Debt Securities)
not to exceed \$600,000,000.)
_____)

CASE NO. Avu-U-1902 IDAHO PUBLIC UTILITIES COMMISSION

Application is hereby made to the Idaho Public Utilities Commission under the provisions of Section 61-901 and 61-902, Idaho Code (Laws of 1951, Chapter 143) for an Order authorizing the offering, issuance and sale by Avista Corporation (hereinafter called "Applicant") of up to \$600 million of Debt Securities.

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 99202-2600

Name of representative for service:

Mark T. Thies, Senior Vice President, CFO, and Treasurer

(b) State and date of incorporation:

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

As a public utility Applicant is qualified to do business in:

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 and Southwest Oregon.

The Applicant is engaged in the generation, transmission, distribution, and sale of electric energy, which it sells at retail to approximately 389,000 residential, commercial, and industrial customers in Eastern Washington and Northern Idaho, and at wholesale to public utilities, municipalities and others as of March 31, 2019. 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 obtained by purchase or exchange from other utilities and governmental agencies.

The Applicant is also engaged in the distribution and sale of natural gas to approximately 355,000 residential, commercial and industrial customers in Eastern Washington, Northern Idaho, and Central & Southwest Oregon as of March 31, 2019.

(d) Description of securities, indebtedness or liabilities:

Pursuant to Rule 142 of the Rules of Practice and Procedure, the Applicant hereby Files the application filed with the Washington Utilities and Transportation Commission as Exhibit "D-1" in lieu of the application required by Rule 141. Applicant further states that:

(1) 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.

(2) Attached Exhibits:

Exhibit D-1 Copy of Washington Application
Exhibit D-2 Form of Idaho Order

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the matter of the request of AVISTA CORPORATION for an order establishing compliance with Chapter 80.08.040 RCW)))))	Application Docket No.
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Avista Corporation (hereinafter called "Applicant") hereby requests the Washington Utilities and Transportation Commission enter a written order authorizing the Applicant to issue up to \$600 million of Debt Securities. The Debt Securities will be issued via public offerings, or private placement, and are expected to have terms which will exceed 9 months all depending on and subject to then-existing market prices for similar transactions.

The requested authority to issue Debt Securities is in addition to the authority previously granted by the Washington Utilities and Transportation Commission for the issuance of debt securities under Order No. 01, entered January 11, 2018, in Docket No. U-171210, of which \$195,000,000 remains available for issuance.

The terms of the financing are described in more detail in Section 2 of this Application.

The following information is furnished in support of this application, in accordance with the requirements of RCW 80.08.040:

(1) A Description of the Purposes for Which the Issuance is Made, Including a Certification By an Officer Authorized To Do So That the Proceeds From Any Such Securities Are For One Or More of the Purposes Allowed By Chapter 80.08 RCW.

The Applicant will use the funds from the proposed issuances for one or more of the following purposes: (a) The construction, completion, extension, or improvement of its facilities, or (b) the improvement or maintenance of its service, or (c) the issuance of stock dividends, or (d) the discharge or refunding of its obligations, or (e) the reimbursement of moneys actually expended from income or from the treasury of the Applicant to the extent permitted by RCW 80.08.030, or (f) for other purposes permitted by law.

The Applicant will utilize the proposed issuances for lawful purposes as outlined in RCW 80.08.030. Specifically, the Applicant anticipates using the debt offering to repay funds borrowed under its corporate credit facility and/or refinance long term debt.

(2) A Description of the Proposed Issuance Including the Terms of Financing.

Debt Securities:

The Applicant proposes to offer, issue and sell the Debt Securities for purposes authorized by law, in an aggregate principal amount not to exceed \$600,000,000, which maturity shall not be less than nine (9) months nor more than fifty (50) years from the date of initial authorization and delivery.

The Debt Securities could be (1) secured or unsecured and (2) with the stated interest rate or rates thereon, which may be fixed or floating all of which could be sold in a public offering, in a private offering in accordance with Rule 144A under the Securities Act of 1933, as amended, or in a direct private placement, or issued in a term loan arrangement with lenders, or issued and delivered in exchange for outstanding debt securities of the Company and/or any combination of the foregoing.

If the Company issues secured debt it would do so by issuing First Mortgage Bonds (FMBs). FMBs have been the traditional debt financing vehicle utilized by utilities in the U.S., and can be offered in both public offerings and private placement. FMBs constitute a lien under the Mortgage and Deed of Trust, dated as of June 1, 1939 (the mortgage and deed of trust has been amended and supplemented by various supplemental indentures since the inception of the Mortgage and Deed of Trust). This lien acts as collateral for the bondholder and the secured debt should have a higher nationally recognized rating agency rating than if the Applicant were to issue debt unsecured. This higher credit rating should lead to a lower interest rate at the

time of issuance as compared to issuing unsecured debt. These Debt Securities could have a fixed or floating interest rate. See Exhibit B for the secured fixed interest rate spreads.

If the Company issues unsecured debt, the loan would not be collateralized by any lien on any specific asset of the Company. If these Debt Securities are unsecured the creditors have a greater risk of not being able to recover their loans made to the Company because they have to wait for the secured creditors to be paid first. Unsecured debt should have a lower nationally recognized rating agency rating than if the Applicant were to issue secured debt. Unsecured debt typically has a higher interest rate at the time of issuance as compared to issuing secured debt. These Debt Securities could have a fixed or floating interest rate. See Exhibit C for the unsecured fixed interest rate spreads.

If the Company issues Debt Securities with a fixed rate, the interest rate will not change through the life of the Debt Securities.

If the Company issues Debt Securities with a floating interest rate, the interest rate will reset periodically, such as daily, weekly, monthly, quarterly, semi-annually or annually. The most common indices used for pricing floating-rate Debt Securities are based upon LIBOR, commercial paper and Treasury bills.

The Applicant proposes to issue the Debt Securities from time to time in either public offerings or private placements, for cash or in exchange for its outstanding securities. Underwriters or placement agents will be selected from a group of potential candidates. The firm or firms selected to be underwriters or placement agents in an offering under this authority will be determined by the Applicant's opinion of their ability to assist the Applicant in meeting its objectives for the Debt Securities to be issued. This opinion is based upon the level of underwriting or placement fees, their knowledge of the Applicant and its varied operations, and their ability to market the Debt Securities to achieve the Applicant's financing and capital structure objectives. The Applicant also requests authority to issue Debt Securities, without further Commission approval, to the extent total spreads meet those provided in Exhibit B and Exhibit C or is issued with an all-in coupon rate not exceeding 8.0 percent per annum in order to provide additional flexibility in the event spreads widen when the Applicant decides to issue any Debt.

(3) Statement As To Why The Transaction Is In the Public Interest.

As a public utility, the Applicant is expected to acquire, construct, improve, and maintain sufficient utility facilities to serve its customers adequately and reliably at reasonable cost. The proposed issuances are part of program to finance the cost of the Applicant's facilities taking into consideration prudent capital ratios, earnings coverage tests, market uncertainties and the relative merits of the various types of securities the Applicant could sell or other financing it could arrange. Accordingly, the Applicant believes the requested authority is in the public interest.

(4) Text of a Draft Order Granting Applicant's Request for an Order.


A copy of a draft order granting the Applicant's request for an order is attached hereto as "Exhibit D".

The undersigned, an authorized agent of the Applicant, certifies under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct to the best of my knowledge and belief, and that the proposed issuance of securities will be used for the purposes allowed by Chapter 80.08 RCW and requests that the Washington Utilities and Transportation Commission issue its order affirming that the applicant has complied with the requirements of RCW 80.08.040.

Done at Spokane, Washington this 26th Day of June 2019.

AVISTA CORPORATION

By:



Mark T. Thies
Senior Vice President, CFO, and
Treasurer

Exhibit A

Estimated Net Proceeds⁽¹⁾

	<u>Total</u>	<u>Percent of Total</u>
Gross Proceeds	\$600,000,000	100.00%
Less: Agents/Underwriters Compensation	<u>5,250,000</u>	<u>0.875%</u>
Proceeds Payable to Applicant	594,750,000	99.125%
Less: Other Issuance/Technical Services Expenses ⁽²⁾⁽³⁾⁽⁴⁾	<u>3,720,000</u>	<u>0.62%</u>
Net Proceeds	<u><u>\$591,030,000</u></u>	<u><u>98.51%</u></u>

(1) Assumes the issuance of First Mortgage Bonds.

(2) **Other Issuance/Technical Services Expenses**

Rating agency fees	\$300,000	to	\$500,000
Legal fees	300,000	to	500,000
Regulatory fees	50,000	to	75,000
Accounting fees	50,000	to	100,000
Printing	50,000	to	75,000
Miscellaneous expenses	<u>80,000</u>	to	<u>120,000</u>
TOTAL	\$830,000		\$1,370,000

(3) **First Mortgage Bonds Estimated Issuance Fees and Expenses**

Legal	\$75,000	To	\$150,000
Title Insurance	80,000	To	240,000
County Filing Fees and Other	<u>30,000</u>	To	<u>100,000</u>
Total	\$185,000		\$490,000

(4) This will likely be done as two separate issuances. As such, we are estimating technical service expenses for each issuance.

Exhibit B

Secured-Rate Spreads

The following are maximum total spreads for various maturities over the applicable benchmark treasury yield. As stated in Section 2 the Applicant requests authority to issue Debt Securities without further Commission approval if spreads exceed what is provided in this Exhibit, as long as the all in Coupon rate does not exceed 8.0 percent per annum. This is meant to provide additional flexibility in the event spreads widen when the Applicant decides to issue any debt.

Debt Securities Maturity Period		Maximum Spread Over Benchmark Treasury Yield
Greater than	Less than or equal to	
(>)	(≤)	(bps)
9M	1Y	185
1Y	2Y	190
2Y	3Y	195
3Y	4Y	200
4Y	5Y	205
5Y	7Y	210
7Y	8Y	215
8Y	9Y	220
9Y	10Y	230
10Y	15Y	265
15Y	20Y	240
20Y	25Y	245
25Y	30Y	245
30Y	Or more	255

Exhibit C

Unsecured Interest Rate Spreads

The following are maximum total spreads for various maturities over the applicable benchmark treasury yield. As stated in Section 2 the Applicant requests authority to issue Debt Securities without further Commission approval if spreads exceed what is provided in this Exhibit, as long as the all in Coupon rate does not exceed 8.0 percent per annum. This is meant to provide additional flexibility in the event spreads widen when the Applicant decides to issue any debt.

Debt Securities Maturity Period		Maximum Spread Over Benchmark Treasury Yield
Greater than	Less than or equal to	
(>)	(≤)	(bps)
0Y	1Y	215
1Y	2Y	220
2Y	3Y	225
3Y	4Y	230
4Y	5Y	235
5Y	7Y	240
7Y	8Y	245
8Y	9Y	250
9Y	10Y	260
10Y	15Y	295
15Y	20Y	270
20Y	25Y	275
25Y	30Y	275
30Y	Or more	285

PROPOSED ORDER OF APPLICANT

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
AVISTA CORPORATION FOR AN ORDER)	CASE NO.
AUTHORIZING THE OFFERING, ISSUANCE AND)	
SALE OF DEBT SECURITIES NOT TO)	ORDER NO.
EXCEED \$600,000,000)	

On June 26, 2019, Avista Corporation (Avista) filed an Application with the Idaho Public Utilities Commission (Commission) requesting an Order authorizing the offering, issuance and sale by Avista of up to \$600,000,000 of secured fixed or variable rate Debt. The Commission, having fully considered the Application and exhibits attached thereto, and all of the Commission's files and records pertaining to the Application, makes the following findings of fact and conclusions of law, and enters this Order approving Avista's Application.

THE APPLICATION

Avista proposes to receive authorization to offer, issue and sell the Debt Securities including, without limitation, any refunding, extension, renewal or replacement of any of the Debt Securities. The net proceeds will be used for (a) the improvement or maintenance of its service; (b) the discharge or lawful refunding of its obligations; (c) the reimbursement of moneys actually expended for said purposes from income or from other moneys in the treasury not secured by or obtained from the issue, assumption or guarantee of securities; or (d) any other purpose approved by the Commission or authorized by law. Avista requests authority to refund, extend, renew or replace the proposed securities to allow for the greatest flexibility in their use.

No person has received or will be entitled to receive from Avista any fee (1) for services in connection with the consummation of the issuance and sale of the above-referenced securities, other than fees for underwriting, private placement, legal, accounting or similar professional or technical services, or (2) for services in securing underwriters, sellers or purchasers of the securities. Avista is a Washington corporation qualified to do business in the State of Idaho.

**FINDINGS OF FACT AND
CONCLUSIONS OF LAW**

Avista 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. Avista 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. The Commission further finds that the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure, IDAPA 31.01.01.141-150.

The Commission finds that the proposed issuance is for a lawful purpose and is within Avista's corporate powers.

The Commission further finds that the proposed transaction is in the public interest and a formal hearing on this matter is not required.

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/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. The Commission further finds that the proposed transaction is in the public interest and a formal hearing on this matter is not required. Avista has paid all lawful fees as provided by *Idaho Code* § 61-905.

ORDER

IT IS HEREBY ORDERED that Avista Corporation, as of July 31, 2019, is hereby authorized to offer, issue and sell up to and including \$600,000,000 in Debt.

IT IS FURTHER ORDERED that Avista is hereby authorized to issue the Securities in the manner and for the purposes described in the Application, with continuing authority to refund, extend, renew or replace the same without further order of the Commission provided that the fees, interest rates and expenses charged or incurred in connection with any transactions entered into under the authority of the Order, and any refunding, extension, renewal or replacement thereof, are competitive with market prices for similar transactions and the senior secured debt has investment grade ratings from at least two nationally recognized rating agencies.

IT IS FURTHER ORDERED that Avista shall file the terms of the proposed issuance(s) of the Securities and any subsequent changes to the terms with Staff upon issuance. This informational filing should be made seven (7) days, or as soon as possible, prior to the Issuance.

IT IS FURTHER ORDERED that Avista shall file, as soon as they become available and update if any changes occur, the following:

- (a) The "Report of Securities Issued," and
- (b) Verified copies of any Agreement entered into pursuant to this Order.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of the Commission with respect to rates, utility capital structure, service accounts, valuation, estimates for determination of cost or any other matter which may come before this Commission pursuant to its jurisdiction and authority as provided by law.

Exhibit D-2

IT IS FURTHER ORDERED that nothing in this Order and no provisions of Chapter 9, Title 61, Idaho Code, or any act or deed done or performed in connection therewith 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 Chapter 9, Title 61 Idaho Code.

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

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of July, 2019.

, COMMISSIONER

, COMMISSIONER

, COMMISSIONER


ATTEST:

Commission Secretary

WHEREFORE, the Applicant respectfully requests the Idaho Public Utilities Commission for an Order authorizing Avista Corporation (hereinafter called "Applicant") to issue up to \$600 million of Debt Securities effective July 31, 2019.

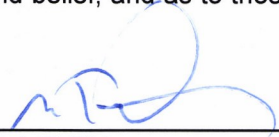
Dated to Spokane, Washington, this 26th day of June, 2019.

AVISTA CORPORATION

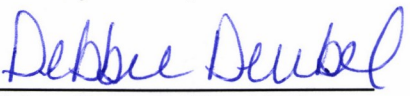
By 
Mark T. Thies
Senior Vice President, CFO, and Treasurer

STATE OF WASHINGTON)
County of Spokane)

I, Mark T. Thies, being duly sworn, under penalty of perjury deposes and says: That he is Treasurer of AVISTA CORPORATION; that he has read the foregoing application and knows the contents thereof; and that the same is true of her own knowledge and belief, and as to those matters he believes them to be true.


Mark T. Thies
Senior Vice President, CFO, and Treasurer

SUBSCRIBED AND SWORN to before me this 26th day of June, 2019.


Notary Public for Washington

