DECISION MEMORANDUM

TO: COMMISSIONER ANDERSON
COMMISSIONER HAMMOND
COMMISSIONER LODGE
COMMISSION SECRETARY
LEGAL

FROM: JOSEPH TERRY
CLAIRE SHARP

DATE: MAY 23, 2023

RE: AVISTA CORPORATION'S APPLICATION FOR AUTHORITY TO ENTER INTO CREDIT FACILITIES UP TO $600,000,000; CASE NO. AVU-U-23-01

BACKGROUND

On May 4, 2023, Avista Corporation ("Avista") applied for authority to enter into one or more debt facilities up to $500,000,000 in total with an option to increase by an additional $100,000,000 to $600,000,000. The term of the facilities will be for five years expiring in 2028 with an option to extend the term two years. The credit facilities may include issuance of secured or unsecured bonds, notes, or other indebtedness. It is proposed that any guarantee of indebtedness may be refunded, renewed or replaced within the authorized time frame. The Commission received the appropriate filing fee on May 15, 2023.

The requested authority will replace the current facilities authorized in Order No. 34995 (Case No. AVU-U-21-01) set to expire in 2026. The primary reason for this Application is changing the London Interbank Offered Rate ("LIBOR") that was previously approved to the Secured Overnight Financing Rate ("SOFR") rate in this credit facility. As of May 12, 2023, the SOFR 30-day rate was 4.901% while the LIBOR 1 month rate was 5.405%.

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; (d) reimbursement to treasury for funds previously expended; and (e) for such purposes as may be permitted by law.

The estimated fees and borrowing spreads will be based on the Company's current senior secured debt rating and current market information. Avista's current senior secured debt ratings are A- by Standard & Poors and A3 by Moody's. This currently places Avista in Pricing Level III where the facility fee would be 0.125%. Avista will only enter into transactions where 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's Application is consistent with the previously authorized notification and filing process if a rating falls below investment grade.

The Company also requests authority to issue, refund, extend, renew, or replace indebtedness under the credit facility without further Commission approval. 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 credit facilities up to $500,000,000. Staff also recommends the authority be for five years. Staff recommends both the extension of an additional $100,000,000 and up to two additional years allowed. If the extensions are exercised, Staff recommends the Company be required to file an informational letter notifying the Commission of any extensions under this authority. In addition, it is recommended that the authority under this initial approval be continuing (without further order required) for the five-year term plus any extensions, provided Avista maintains senior secured debt ratings that are investment grade, BBB-/Baa3 or Pricing level V. The terms of this current authority are consistent with these recommendations and are acceptable to the Company.

COMMISSION DECISION

Does the commission wish to approve Avista's request to issue up to $500,000,000 in one or more credit facilities?

Does the Commission wish to authorize a term of five years?

Does the Commission wish to authorize extensions of up to $100,000,000 and up to two additional years with the requirement that Avista files an informational letter if extensions are exercised?

Does the Commission wish to allow its authority under this Order be continuing during the authorized term provided the senior secured debt rating levels remain investment grade?

Joseph Terry

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