

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION FOR AN)	CASE NO. AVU-U-10-01
ORDER AUTHORIZING THE OFFERING,)	
ISSUANCE AND SALE OF DEBT)	
SECURITIES NOT TO EXCEED \$600,000,000)	ORDER NO. 32096
)	

On September 16, 2010, Avista Corporation (Avista) filed an Application with the Idaho Public Utilities Commission requesting an Order authorizing Avista to enter into one or more credit facilities of up to \$600,000,000 with terms of up to five years, with possible extensions not to exceed two additional years if the Applicant and the banks agree. In connection with the credit facilities, Avista requested authorization to offer, issue and sell certain secured or unsecured bonds, notes and other evidences of indebtedness, including without limitation, assumption of any obligation or liability as guarantor, indorser, surety or otherwise in respect of such securities, and any refunding, extension, renewal or replacement of such credit facilities or any of the foregoing (collectively, the "Credit Facilities"). The Credit Facilities will replace existing credit facilities that will expire in April 2011. The Commission, having fully considered the Application and exhibits, 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 enter into the Credit Facilities including, without limitation, any refunding, extension, renewal or replacement of the credit facilities. The net proceeds of the Credit Facilities 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.

No person has received or will be entitled to receive from Avista any fee (1) for services in connection with the consummation of the above-referenced securities, other than fees

for underwriting/arranging, legal, accounting or similar professional or technical services; or (2) for services in securing lenders in the Credit Facilities.

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 bond ratings are BBB+ by S&P and Baa1 by Moody's. This currently places Avista in Pricing Level III where the facility fee would be 0.50%. Avista will only enter into transactions where the 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 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 recommended approval of the proposed credit facilities up to \$600,000,000 in total. Staff also recommended the authority be for five years with allowed extensions up to two additional years. If the extensions are exercised, Staff recommended 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 at least Pricing Level V.

**FINDINGS OF FACT AND
CONCLUSIONS OF LAW**

Avista is a Washington corporation qualified to do business in the State of Idaho. 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.

Avista has paid all lawful fees as provided by *Idaho Code* § 61-905.

The Commission finds that the proposed Credit Facilities 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 Credit Facilities 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 Credit Facilities does not constitute Commission 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 make up to \$600,000,000 in aggregate principal amount at any one time outstanding of short-term borrowings, for seven years¹ from the date of the credit agreement under the terms and conditions and for the purposes set forth in the Application and this Order is granted. If the extensions are exercised, Avista will notify the Commission by filing a letter stating the terms of the extension.

IT IS FURTHER ORDERED that this authorization will remain in place for seven years from the date of execution of the credit agreement, provided that the Company maintains at least Pricing Level V as indicated in the application i.e. (BBB- or higher senior secured debt rating, as indicated by Standard & Poor's Ratings Services, and a Baa3 or higher rating as indicated by Moody's Investors' Service, Inc). If Avista's senior secured debt rating falls below either such rating ("Downgrade"), the Company's authority to incur short-term borrowings provided in this Order will not terminate, but instead such authority will continue for a period of 364 days from the date of the Downgrade Continued Authorization Period, provided that Avista: (1) promptly notifies the Commission in writing of the Downgrade; and (2) files a supplemental application with the Commission within fourteen (14) days after the Downgrade, requesting a

¹ The seven-year authorization period consists of a five-year base term plus the option to extend for an additional two years.

Supplemental Order authorizing the Company to continue to make short-term borrowings as provided in the Order, notwithstanding the Downgrade. Until the Company receives the Supplemental Order, any short-term borrowings made by Avista during the Continued Authorization Period will become due or mature no later than the final date of the Continued Authorization Period. Subject to the foregoing provisions regarding a Downgrade and notice of extension, no additional authorization is required to carry out this transaction and no Supplemental Order will be issued.

IT IS FURTHER ORDERED that Avista shall file the terms of the proposed issuance(s) of securities in connection with the Credit Facilities, 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, after the closing of the Credit Facilities.

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 Credit 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.

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 payor 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.

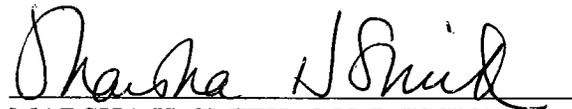
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7)

days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

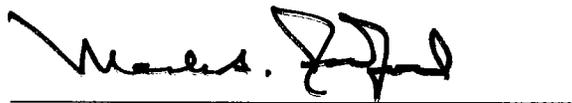
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15th day of October 2010.



JIM D. KEMPTON, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



MACK A. REDFORD, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary