

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

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IDAHO PUBLIC
UTILITIES COMMISSION



October 21, 2010

State of Idaho
Idaho Public Utilities Commission
Statehouse
Boise ID 83720

AVU-0-10-02

Attention: Jean D. Jewell, Secretary

Transmitted herewith are one executed and three conformed copies of an application for approval of security issuance. The application contains as much information as is presently known. If other applicable data or documents become available, they will be forwarded to your attention. A check in the amount of \$1,000.00, the maximum fee is coming under separate cover.

The Company requests to receive an Order of Approval from the Commission by November 22, 2010. When complete, please send one (1) executed copies of the Order of Approval to:

Diane C. Thoren
Treasurer
Avista Corporation
East 1411 Mission Avenue
Spokane WA 99202-2600

If any questions arise or additional information is needed, please do not hesitate to contact Damien Lysiak at 509-495-2097.

Sincerely,

A handwritten signature in cursive script, appearing to read "Diane Thoren".

Diane Thoren
Treasurer

Enclosures

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of)
AVISTA CORPORATION for an Order authorizing)
the offering, issuance and sale of Debt Securities)
not to exceed \$150,000,000)

CASE NO. AVU-0-10-02

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 offering, issuance and sale by Avista Corporation (hereinafter called "Applicant") of up to \$150,000,000 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:

Diane C. Thoren, 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.

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, Central & Southwest Oregon.

The Applicant is engaged in the generation, transmission, distribution, and sale of electric energy, which it sells at retail to approximately 355,604 residential, commercial, and industrial customers in Eastern Washington and Northern Idaho, and at wholesale to public utilities, municipalities and others. 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 315,932 residential, commercial and industrial customers in Eastern Washington, Northern Idaho, and Central & Southwest Oregon.

(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.

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IDAHO PUBLIC UTILITIES COMMISSION

October 21, 2010

Mr. David Danner
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: Planned Securities Issuance – Up to \$150 million Debt Securities Pursuant to RCW 80.08.040, Commission Order is Requested.

Dear Mr. Danner,

Pursuant to RCW 80.08.040, Avista Corporation (“Avista”) intends to issue up to \$150 million of Secured Debt securities. The 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 terms of the financing are described in more detail in Section 2 of this application.

The following information is supplied in conformance with RCW 80.08.040:

(1) Description of the purposes for which the issuance will be made:

Avista will utilize the proceeds of the proposed debt offering for lawful purposes as outlined in RCW 80.08.030. Specifically, Avista anticipates using the proceeds from the issuance of the securities to repay funds borrowed under its corporate credit facility and/or refinance long term debt.

The undersigned certifies that she has read the foregoing information with respect to the proposed use of funds and knows the contents thereof and that the same are true to the best of her own knowledge or belief.

Done at Spokane, Washington this 21st day of October, 2010.

By: _____
Diane C. Thoren
Treasurer

(2) Description of the proposed issuance, including the terms of financing

The Applicant proposes to offer, issue and sell the Debt for purposes authorized by law, in a total amount of up to and including \$150,000,000 and for terms which will exceed 9 months.

The Debt is to be issued in one or more transactions as market conditions permit. The debt shall be secured and shall 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. A brief description of a secured fixed rate debt transaction is set forth below.

I. Secured Fixed Rate Debt:

The issued Debt would be secured by First Mortgage Bonds. First Mortgage Bonds (FMBs) have been the traditional debt financing vehicle utilized by utilities in the U.S., and are typically offered in public offerings but may be privately placed. FMBs place a lien on 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 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 coupon rate at the time of issuance as compared to issuing unsecured debt.

The Applicant proposes to issue the Debt from time to time in either a public offerings or private placements, for cash or in exchange for its outstanding securities. The Applicant anticipates that issuances will be secured fixed rate debt. Underwriters or placement agents will be selected from a group of potential candidates. The firm or firms selected to lead an offering under this authority will be determined by the Applicant's opinion of their ability to assist the Applicant in meeting its objective of having the lowest total cost for the Debt 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 to achieve the Applicant's financing and capital structure objectives. The Applicant requests that the pricing of the Bonds fall within either the maximum spreads over treasuries provided in Exhibit B or the maximum all-in coupon rate not to exceed 8.0 percent per annum. The Applicant believes that it is not sufficient to focus on credit spreads alone, since high spreads may be offset by equally low treasury rates, resulting in a moderate to low coupon rate. The Applicant requests authority to issue Debt without further notice to the Commission to the extent spreads do not exceed the maximum total spreads over the Benchmark Treasury Yield provided in Exhibit B or is issued with an all-in coupon rate not exceeding 8.0%. This provides 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 of Debt 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.

Avista, having provided herewith all information and statements required by RCW 80.08.030, WAC 480-100-242 (1)-(4) and WAC 480-90-242 (1)-(4), respectfully request an order affirming compliance with such requirements as part of this planned securities transaction.

If you have any question regarding this information please feel free to contact Damien Lysiak at (509)-495-2097.

Sincerely,

Diane C. Thoren
Treasurer

Exhibit A**Estimated Net Proceeds⁽¹⁾**

	<u>Total</u>	<u>Percent of Total</u>
Gross Proceeds	\$150,000,000	100.00%
Less: Agents/Underwriters Compensation	<u>1,312,500</u>	<u>0.875%</u>
Proceeds Payable to Applicant	148,687,500	99.125%
Less: Other Issuance/Technical Services Expenses ⁽²⁾⁽³⁾	<u>1,835,000</u>	<u>1.22%</u>
Net Proceeds	<u><u>\$146,852,500</u></u>	<u><u>97.90%</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	75,000
Printing	50,000	to	75,000
Miscellaneous expenses	<u>80,000</u>	to	<u>120,000</u>
TOTAL	\$830,000		\$1,345,000

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

Exhibit B**Secured Fixed-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 without further Commission approval if spreads exceed what is provided in this Exhibit, in as long as the cost to maturity 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.

Greater Than	Less than or equal to	Maximum Spread Over Benchmark Treasury Yield
(>)	(≥)	(bps)
0Y	1Y	225
1Y	2Y	230
2Y	3Y	235
3Y	4Y	240
4Y	5Y	245
5Y	7Y	250
7Y	8Y	255
8Y	9Y	260
9Y	10Y	265
10Y	15Y	280
15Y	20Y	290
20Y	25Y	295
25Y	30Y	300
30Y	Or more	310

PROPOSED ORDER OF APPLICANT

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF) AVISTA CORPORATION FOR AN ORDER) AUTHORIZING THE OFFERING, ISSUANCE AND) SALE OF SECURITIES NOT TO) EXCEED \$150,000,000)	CASE NO. ORDER NO.
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On October 21, 2010, 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 \$150,000,000 of secured fixed rate bonds (the Securities). 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 Securities including, without limitation, any refunding, extension, renewal or replacement of any of the 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 proposed issuance and redemption of maturing debts provide an opportunity for Avista to reduce borrowing costs and increase flexibility with future refinance options. This debt authority, however, may not be used to fund stock dividends.

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 be, and the same hereby is authorized to offer, issue and sell up to and including \$150,000,000 in Securities, all as described in the Application filed on October 21, 2010.

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.

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 DAYth day of MONTH 2010.

, 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 and including \$150,000,000 of Debt Securities.

Dated to Spokane, Washington, this 21th day of October, 2010.

AVISTA CORPORATION

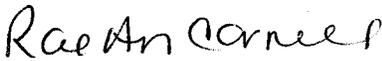
By 
Diane C. Thoren, Treasurer

STATE OF WASHINGTON)
County of Spokane)

Diane C. Thoren, being duly sworn, under penalty of perjury deposes and says: That she is Treasurer of AVISTA CORPORATION; that she 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 she believes them to be true.


Diane C. Thoren, Treasurer

SUBSCRIBED AND SWORN to before me this
21st day of October, 2010.


Notary Public for Washington

