

## DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE**

**FROM: TERRI CARLOCK**

**DATE: NOVEMBER 18, 2010**

**SUBJECT: AVISTA CORPORATION'S APPLICATION FOR AUTHORITY TO  
ISSUE UP TO \$150,000,000 OF DEBT; CASE NO. AVU-U-10-02**

On October 22, 2010, Avista Corporation (Avista) applied for authority to offer, issue and sell up to and including \$150,000,000 of secured fixed rate bonds. The proceeds will be used for one or more of the following purposes: (a) the Company's construction, facility improvement, and maintenance programs, (b) to retire or exchange one or more outstanding obligation, (c) to reimburse the treasury for funds previously expended, and (d) for such other purposes as may be permitted by law. The Company anticipates using proceeds from the issuance of the bonds to refinance more expensive First Mortgage Bonds.

The issuance of the bonds may be in one or more series with terms through 30 years. The requested authority differs from existing authorities as these securities will be First Mortgage Bonds (FMB) secured by a lien on the Mortgage and Deed of Trust. The actual amount issued and the maturities selected for the bonds will be determined based on market conditions, investor demand and on the Company's current maturity schedule. The FMBs are currently very competitively priced. The all-in cost to maturity for these FMBs will not exceed 8%. Staff has reviewed Company options for refinancing and believes there is potential for significant savings for the Company and customers.

The Company also requests authority to issue, refund, extend, renew or replace the bonds without further Commission approval to allow additional flexibility. This authority is conditioned on the all-in coupon rate being competitively priced and the senior secured debt maintaining an investment grade rating from at least two nationally recognized rating agencies.

The issuance would allow the Company greater flexibility to manage its 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 issuance. In addition, it is recommended that the authority under this initial approval be continuing providing the senior secured debt maintains an investment grade rating from at least two nationally recognized rating agencies.

### **COMMISSION DECISION**

1. Does the Commission wish to approve Avista's request to issue up to \$150,000,000 of secured fixed rate bonds?
2. Does the Commission wish to allow its authority under this Order to be continuing to allow flexibility?



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Terri Carlock

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