May 14, 2020

Public Utility Commission of Oregon
Administrative Hearings Division
3930 Fairview Industrial Dr SE
Salem, Oregon 97302-1166

Attention: Tariffs and Data Analysis
Utility Program

Re: AVISTA CORPORATION, dba AVISTA UTILITIES
Docket No. UF 4315 – Request for Amendment to Order 20-151 authorizing entry into a revolving credit agreement in an amount up to $500,000,000

Transmitted herewith is a marked copy of the existing May 5, 2020 Staff Report reflecting changes to the estimated borrowing spreads for ABR Loans. Avista's lenders have informed Avista that the borrowing spreads for Alternate Base Rate (ABR) loans have increased since we last provided the Commission with updated rates and fees. Only the estimated borrowing spreads for ABR Loans have changed from the information previously provided. The other changes conform Attachment A to the current terms of the proposed credit agreement.

Finally, given constraints from working at home, it is difficult to obtain an official notarized verification. That said, I certify (or declare) under penalty of perjury under the laws of the State of Oregon that the foregoing is true and correct.

The Company kindly requests expedited consideration under OAR 860-001-0420. Please direct any questions related to this updated information to Megan Thilo at 509.495.2149.

Sincerely,

Jason E. Lang
Assistant Treasurer

Enclosure

cc: Service list, UF 4315

ITEM NO. CA2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 19, 2020

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** ________N/A________

DATE: May 14, 2020

TO: Public Utility Commission

THROUGH: Bryan Conway, Michael Dougherty, John Crider, and Matt Muldoon

FROM: Moya Enright

SUBJECT: AVISTA CORPORATION:
(Docket No. UF 4315)
Requests amendment to Order No. 20-151 authorizing entry into a revolving credit agreement in an amount up to $500 million.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Avista Corporation's (Avista, AVA, or Company) requested amendment of Commission Order No. 20-151, by rescinding the order and replacing it with authority to establish a revolving credit agreement, in an amount up to $500 million, with a revised maturity of April 18, 2022 that can be extended once for an additional year, subject to the following ten conditions and reporting requirements. The Company has reviewed and agrees with this memo.

1. Sum of borrowing principal and Letters of Credit (LC) under the Revolving Credit Agreement (Credit Agreement) shall not exceed $400 million initially, and not more than $500 million inclusive of all accordion features, at any one time. Aggregate principal of First Mortgage Bonds (FMB) authorized herein may not exceed the aggregate commitment of the Credit Agreement secured.
2. The term of the Credit Agreement is for the remaining current term (current maturity date of April 2021) plus up to two (2) additional years, including all extensions (as amended, amended and restate, or replaced, new maturity date of April 2023).
3. Aggregate Administrative Agent and Co-Syndication Agent Banks' one-time arrangement and syndication fees may not exceed 20 basis points (bps) of the amount specified in Condition 1.[1] In addition, the Administrative Agent's (passed through) one-time out of pocket, counsel, and miscellaneous expenses may not

[1] Aggregate agents' one-time fees may not exceed $1 million ($500,000,000 times 0.20 percent).

exceed an additional $275,000, and its annual administrative agency fee may not exceed $100,000 per year. The agent's one-time fee for each one-year extension of the credit facility may not exceed 20 bps of the amount specified in Condition 1.[2]

4. Each participating bank's one-time upfront fee (not including arrangement and co-syndication agent fees) may not exceed 60 bps of that bank's initial commitment amount, in addition to amounts shown in Condition 3 above.

   In addition, LC fronting fees shall not exceed 0.20 percent per annum of the amount of each LC issued and outstanding under the credit facility. LC participation fees will not exceed the amounts shown respectively in Attachment A.[3]

5. Each bank's annual facility fees and costs of variable rate borrowing and fixed rate borrowing will not exceed the amounts and spreads shown respectively in Attachment A.

6. Authority for the up to $500 million aggregate credit facilities authorized in Docket No. UF 4285 by Commission Order No. 14-083, entered March 17, 2014, (Prior Credit Facility) is terminated upon close and execution of the new Credit Agreement. Authority in Commission Order No. 20-151 is rescinded, and replaced in its entirety by the Commission Order adopting the recommendations in this report.

7. Under the Credit Agreement, the Company must maintain a consolidated indebtedness to total consolidated capitalization ratio of 65 percent or less.

8. Avista will file a certified copy of the executed Credit Agreement with the Commission within 30 calendar days after close, with a report demonstrating all fees, interest rates (showing spreads over benchmark securities where applicable), and expenses are consistent with contemporaneous competitive market prices for such credit agreements.

9. Proceeds must be used for lawful utility purposes authorized by ORS 757.415. Avista will not use this Credit Agreement to guarantee its activities in Alaska. The Company will maintain an electronic MS Excel spreadsheet, with all cell references and formulas intact capturing quarterly information for each outstanding credit facility. This quarterly information will include: outstanding balances of revolving credit, LCs issued, total interest accrued, and fees paid. Data capture will continue as long as Avista has a credit facility outstanding for any portion of a given calendar year. In lieu of periodic reporting, Avista will provide this data to Staff upon request.

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[2] Note that these upfront fees for extensions are 10 bps on old money and up to 20 bps on new money.

[3] Though credit facility terms may impose a $200 million LC Sublimit – no restriction is imposed herein, provided that portions of the credit facility applied or drawn to other purposes are not available for LCs.

10. The Commission reserves judgment on the reasonableness for ratemaking purposes of the Company's capital costs, capital structure, and commissions and expenses incurred for security issuances. Avista has the burden of proof to demonstrate that the Company's financing activities; capital costs, including embedded expenses; and capital structure are just and reasonable.

DISCUSSION:

Issue

Whether the Commission should approve Avista's request to amend Commission Order No. 20-151 authorizing Avista to amend, amend and extend, or replace a revolving line of credit agreement for a revised term of one additional year beyond the current maturity date of April 2021, with the option to extend for an additional one year period (maturity date of April 2023), in an amount up to $500 million, with an initial facility commitment in the amount of $400 million, such new credit agreement to be secured with first mortgage bonds (FMB) or other appropriate guarantee(s).

Applicable Law

Applicable to this proceeding are ORS 756.568, ORS 757.410 and 757.415, OAR 860-027-0030, and OAR 860-027-043.

Under ORS 756.568, the Commission may, at any time, rescind, suspend or amend any order made by the commission, upon notice and opportunity for hearing.

Under ORS 757.415(1), a public utility may issue stocks and bonds, notes and other evidences of indebtedness, certificates of beneficial interests in a trust and securities for the following purposes:

(a) The acquisition of property, or the construction, completion, extension or improvement of its facilities.

(b) The improvement or maintenance of its service.

(c) The discharge or lawful refunding of its obligations.

(d) The reimbursement of money actually expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks or bonds, notes or other evidences of indebtedness, or securities of such public utility . . .

(e) The compliance with terms and conditions of options granted to its employees to purchase its stock, if the commission first finds that such terms and conditions are reasonable and in the public interest.

(f) The finance or refinance of bondable conservation investment as described in ORS 757.455 . . . ."

However, an order of the Commission is required before a public utility may issue stocks and long-term bonds (of duration more than one year), notes or other evidences of indebtedness, and any security. ORS 757.410. The Commission may grant permission for the amount requested by the public utility, for a lesser amount, or for none at all. Further, the Commission may include in its order such conditions to approval that it deems reasonable and necessary. ORS 757.430.

Application requirements and a list of exhibits that must be attached to the public utility's application are set forth in OAR 860-027-0030.

Background

On February 26, 2020, Avista filed an application requesting authorization to enter into a new or refreshed Credit Agreement having a term of up to seven years total in an aggregate amount up to $500 million. In Order No. 20-069, the Commission authorized the refreshment of Avista's Credit Agreement.

Due to changes in financial markets driven by the COVID-19 pandemic, Avista filed on April 14, 2020 to amend Commission Order No. 20-069 prior to entering into a new or refreshed Credit Agreement pursuant to the terms of that order. Because refreshment costs rose substantially over trending charges prior to February of this year, the Company asked to revise its authorization to reflect current market costs and to reduce the term of this authorization. In Order No. 20-151, the Commission authorized the amendment of Commission Order No. 20-069.

In order to reflect final pricing of the facility, Avista filed on May 14, 2020 to amend Commission Order No. 20-151 prior to entering into a new or refreshed Credit Agreement pursuant to the terms of that order. The Company expects to close the new credit agreement in May of 2020 and requests expediting handling of this docket. Rescinding the Commission's previous Order 20-151 will permit Avista to amend, amend and restate, or replace its current $400 million credit facility which will expire in April 18, 2021, with a like size facility that will expire in April 2022, with up to one separate one year extension (extended maturity date of April 2023).

Avista expects to request authority for a full five-year Credit Agreement when future market conditions are less volatile. The Company represents that rates and charges shown herein are reflective of prevailing current market conditions; and Avista will be prepared to demonstrate this in a subsequent general rate case or other proceeding before the Commission.

At close, the Company will have $400 million in total aggregate credit with an accordion feature option allowing enlargement to $500 million. Similarly, Avista can extend the initial term by up to one year, separately, for an aggregate term of no more than two additional years beyond the current April 2021 maturity date. Avista's Prior Credit Facility similarly permits the Company to borrow up to $500 million.

Subject to the recommended conditions as provided herein, the proposed issuance satisfies the Commission's rules and the statutory criteria.

Docket No.	Initial $ Amount	Maximum $ Amount
UF 4285[4]	$400 million (Current)	$500 million
UF 4315	$400 million (Proposed)	$500 million
	$400 million (At Close)	$500 million

Other Securities Covered by This Application:
Avista may choose either fixed or floating borrowing rates. The Company may prepay Adjustable Base Rate (ABR) loans in a minimum amount of $1 million without premium or penalty at any time, and may prepay Eurodollar loans in a minimum amount of $1 million without premium or penalty at the end of an interest period.

Letters of Credit:
Letters of Credit may be issued in an aggregate amount up to $400 million outstanding at any one time, and $500 million in the aggregate, if the credit facility is subsequently increased by $100 million.

Securing the Credit Agreement:
Avista may issue and deliver non-transferable First Mortgage Bonds (FMB) to the Administrative Agent to secure the Credit Agreement. Any issued FMBs will mature on the expiration date of the Credit Facility. Maximum aggregate principal amount of the FMBs will not exceed the amount of the commitment under the Credit Agreement.

4 Commission Order No. 14-083, entered March 17, 2014, in Docket No. UF 4285, authorized the Company's current outstanding $400 million credit agreement with a $100 million optional increase.

Extensions Authorized Beyond an Initial Term:
The Credit Facility will have an initial term of one (1) additional year beyond the current April 2021 maturity date, with one option to extend the term an additional year to a maturity date of April 2023 if the Applicant and participating banks agree. Costs for extending the Credit Facility beyond the initial one-year term must comply with Conditions 3 and 4.

Credit Ratings:

Avista's Current Credit Ratings	**S & P**[5]	**Moody's**
Senior Secured Debt Ratings	A-	A3

The Credit Agreement will not require a rating, but its costs are reflective of the Company's credit ratings. Avista's debt ratings from Moody's and Standard and Poor's affect both the credit facility fee and borrowing spreads, each of which is capped for the applicable credit rating. Avista's credit ratings have not changed since February of this year, only market conditions for refreshment of credit facilities have changed.

Diversity of Participating Banks:
The Company will maintain just one credit facility. Avista represents in reviewing this memo that the Company will preserve both geographic and institutional diversity in bank participants in the Credit Agreement. The Company's representation satisfies Staff concerns regarding geographic and investment bank diversity.

Use of Proceeds:
Avista may issue notes to banks participating in the Credit Agreement for amounts equal to the individual bank's commitment level. The Company may also use the Credit Agreement for any utility purpose authorized by ORS 757.415, e.g. the low cost credit and liquidity enhancement of:

- The acquisition of property, or the Company's construction, completion, extension or improvement of its facilities;
- The improvement or maintenance of its service;
- The discharge or lawful refunding of its obligations;
- The reimbursement of money actually expended consistent with ORS 757.415(d); and
- For such other purposes, as permitted by law.

Expenses:
Avista represents in its Application that fees and expenses incurred are currently prevailing market based costs typical for this type of facility. The Company is not

5 S&P refers to Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc., while Moody's refers to Moody's Investors Service, Inc.

required to subject the Credit Agreement or related LCs to competitive bidding. However, Avista must still demonstrate in reporting and in subsequent general rate cases that fees and expenses incurred reflect competitive contemporaneous market conditions.

Review Summary:
Approval of Avista's application will do no harm to ratepayers, investors, or the Company. Staff's review of Avista's Application finds the terms reasonable. The Company represents that funds obtained under this replacement Credit Agreement will be used solely for ongoing lawful utility purposes. Avista will not use the Credit Agreement to guarantee its activities in Alaska. The Company agrees, after review of this Staff Report, that the proposed conditions will allow Avista all necessary flexibility to negotiate favorable market fees and margins. The Company waives any right to hearing on changes to Commission Order No. 20-069 based on the terms of this Report.

Sizing of the Credit Agreement is consistent with the Company's prior similar revolving credit facilities and with the Company's demonstrated financing needs.

The Company may take either or both of the following actions without returning to the Commission for further authorization: First, Avista may arrange for an accordion feature[6] that will enlarge the proposed credit facility up to $500 million. The Company may also extend the term of the refreshed credit facility by one additional year for up to a total term of two additional years beyond the existing term maturity date of April 2021, if it is cost effective to do so. This flexibility is usual and customary.

Conditions herein require that Avista continue to capture and maintain the same level of quarterly detail as in the past. However, the Company need only submit this data to Staff upon request. This approach minimizes the burden of frequent confidential financial reporting, without materially impairing compliance.

PROPOSED COMMISSION MOTION:

Rescind Order No. 20-151 and authorize Avista to establish a revolving credit agreement, in an amount up to $500 million, with a revised maturity of April 18, 2022, that can be extended once for an additional year, subject to Staff's ten recommended conditions and reporting requirements.

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[6] An accordion feature is an optional feature of a credit agreement the Company can purchase giving it the right, but not the obligation, to increase the size of its credit facility. This feature can benefit ratepayers by allowing the Company to more quickly take positive net present value financing actions than would be the case in the absence of such a feature.

AVA UF 4315 Credit Agreement

Attachment A

Shading indicates the current applicable spread.

Annual Facility Fees: A bank's annual facility fee may not exceed the following bps of average commitment amounts based on Standard and Poor's (S&P) and Moody's (M) applicable rating[7] in effect in the relevant period:[8]

S&P	M	S&P	M	S&P	M	S&P	M	S&P	M	S&P	M
A+	A1	A	A2	**A–**	**A3**	BBB+	Baa1	BBB	Baa2	BBB–	Baa3
◄ 12.5 bps		15.0 bps		**17.5 bps**		22.5 bps		25.0 bps		30.0 bps ►	

◄ Also applies for higher credit ratings ► Also applies for lower credit ratings

Variable Rate Borrowing: The Adjustable Base Rate (**ABR**), for borrowings of under two weeks, with floating-rate borrowing under the Credit Agreement will not exceed the highest of the following, reset daily:

a. Federal Funds Effective Rate plus the base rate margin shown in the table below,

b. Prime Rate, or

c. The 30-day LIBOR Rate (or replacement interest rate benchmark) plus 1.00 percent.

Plus the spread applicable to the company's prevailing S&P and Moody's rating in effect:

– Continued on Next Page –

[7] When S&P and Moody's credit ratings differ by one notch, the factor for the higher rating will apply. If the difference is greater than one notch, the factor for one notch less than the higher rating will apply.

[8] Caution: While interest and fees hereunder are generally computed on the basis of a year of 360 days, annual commitment charges and ABR rates are computed on the basis of a year of 365 days (or 366 days for a leap year). Thus the applicable annual facility fee is determined as follows: Fee = Annual Average Commitment Amount X Current Credit Spread X 365 / 360 (for non-leap year).

Attachment A (Concluded)

Shading indicates the current applicable spread.

S&P A+	M A1	S&P A	M A2	S&P A–	M A3	S&P BBB+	M Baa1	S&P BBB	M Baa2	S&P BBB–	M Baa3
◄ 0.0 bps		0.0 bps		**7.5 bps**		15.0 bps		25.0 bps		45.0 bps ►	

◄ Also applies for higher credit ratings ► Also applies for lower credit ratings

Fixed rate Borrowing: The rate associated with fixed-rate borrowing with a term of at least two week under the Credit Agreement will not exceed the applicable 1-, 2-, 3-, or 6-month maturity LIBOR Rate (or replacement interest rate benchmark) plus the following Eurodollar Margin based on S&P or Moody's applicable rating, as in effect on the day of borrowing.

S&P A+	M A1	S&P A	M A2	S&P A–	M A3	S&P BBB+	M Baa1	S&P BBB	M Baa2	S&P BBB–	M Baa3
◄ 87.5 bps		97.5 bps		**107.5 bps**		115.0 bps		125.0 bps		145.0 bps ►	
Spreads are Shown as All-In Drawn (Including Facility and Utilization Fees) **Below**											
◄100.0 bps		112.5 bps		**125.0 bps**		137.5 bps		150.0 bps		175.0 bps►	

◄ Also applies for higher credit ratings ► Also applies for lower credit ratings

Letter of Credit Participation Fee: The rate associated with letters of credit issued under the Credit Agreement will not exceed the following based on S&P or Moody's applicable rating, as in effect.

S&P A+	M A1	S&P A	M A2	S&P A–	M A3	S&P BBB+	M Baa1	S&P BBB	M Baa2	S&P BBB–	M Baa3
◄ 87.5 bps		97.5 bps		**107.5 bps**		115.0 bps		125.0 bps		145.0 bps ►	

◄ Also applies for higher credit ratings ► Also applies for lower credit ratings