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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UF 4079

In the Matter of the Application of Avista)
Corporation Requesting an Amendment to) **SUPPLEMENTAL ORDER**
Order No. 01-169.)

DISPOSITION: ORDER NO. 01-169 AMENDED WITH CONDITIONS

On April 25, 2001, Avista Corporation filed an application requesting the Commission amend Order No. 01-169 to revise the Company's fees, expenses, and interest rate options.

The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A. Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its public meeting on May 22, 2001, the Commission adopted Staff's recommendation to approve Avista's current request.

ORDER

IT IS ORDERED THAT the application of Avista Corporation to amend Order No. 01-169, is granted, subject to the conditions and reporting requirements, as specified in Appendix A. All other conditions, reporting requests, and other provisions of Order No. 01-169, shall, to the extent not modified by this order, remain in full force and effect.

Made, entered, and effective _____.

BY THE COMMISSION:

Vikie Bailey-Goggins
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 22, 2001**

REGULAR AGENDA ___ **CONSENT AGENDA** X **EFFECTIVE DATE** _____

DATE: May 10, 2001

TO: Phil Nyegaard through Marc Hellman and Bryan Conway

FROM: Ming Peng

SUBJECT: UF 4079 – Avista Requests the Commission Amend Order No. 01-169

SUMMARY RECOMMENDATION:

I recommend approving the application with reporting requirements.

DISCUSSION:

On August 14, 1992, Avista Corporation (Avista) (formerly Washington Water Power Co.) filed an application under Oregon Revised Statute (ORS) 757.415 for authority to borrow not more than \$160,000,000 under two separate revolving credit agreements. On September 22, 1992, Order No. 92-1387 was issued granting the requested authority.

On January 11, 2001, Avista requested the Commission amend Order No. 92-1387 to increase Avista's authority to enter into revolving credit agreements to \$400,000,000 from \$160,000,000, and revise the Company's use of proceeds and its interest rate options. On February 13, 2001, Order No. 01-169 was issued granting the requested authority.

On April 25, 2001, Avista filed an application requesting the Commission amend Order No. 01-169 to revise the Company's fees, expenses, and interest rate options.

Avista requests four specific amendments based on the worst-case scenario to secure its credit facility:

1. The Commitment fees paid on the unused portion of the debt will be no greater than 0.75% from 0.20%.
2. The interest rate spread paid on the debt if using the Fed Funds Rate option will increase to 1.25% from 0.5%.
3. The interest rate spread paid on the debt if using the LIBOR option will increase to 2.25% from 1.5%.
4. The total upfront fees and expenses of establishing these arrangements will not exceed \$1,962,500 from \$755,000.

Avista's fees, expenses, and interest rate options appear reasonable.

Current Capital Markets Affecting Avista's Spreads:

Avista has now signed the final term sheet with the lead bank and is in the process of finalizing the documentation necessary to put Avista's credit facility in place. The current capital markets have been changed due to the risks and uncertainties of the industry that are beyond Avista's control. These changes have caused the costs associated with this transaction to increase.

As before, the requested commitment fees and interest rates levels are maximum amounts that Avista would pay if its debt rating was reduced significantly from its current BBB rating to BB+. Consequently, Avista does not presently anticipate having to pay such maximum amounts, but may need the authority to do so in the event of further deterioration in the capital markets. Attached is Exhibit A showing both the pricing grid for this transaction and the total fees and expenses calculation.

STAFF RECOMMENDATION:

I recommend the Commission approve Avista's application to amend Order No. 01-169. Such amendment revises the Company's fees, expenses, and interest rate options. Avista should file the usual Report of Securities Issued and Disposition of Net Proceeds Statements after each issuance and sale, and continue to demonstrate that it achieves a competitive rate on its securities. The conditions, reporting requests, and other terms of Order No. 01-169 should remain in full force and effect.

For ratemaking purposes, the Commission reserves judgment on the reasonableness of the Company's capital costs and capital structure. In its next rate proceeding, Avista will be required to show that its capital costs and structure are just and reasonable. In the event, the Commission has before it the issue of Avista's cost of common equity, during the term of the debt issuance, Staff reserves the right to adjust such cost of equity, if warranted, if Staff determines the issuance of this debt likely increased Avista's cost of common equity.

4/25/2001 Avista Filing

Exhibit A

Basis Points per Annum	LIBOR, Commitment & L/C Fees					Usage Fees		
	Level I	Level II	Level III	Level IV	Level V	>33%	>50%	>75%
Debt Rating	BBB+/ Baa1 or greater	BBB/ Baa2	BBB-/ Baa3	BB+/ Ba1	<BB+/ Ba1			
364 Day Revolver						15.00	25.00	50.00
ABR Spread	0.00	25.00	50.00	87.50	125.00			
LIBOR Spread	100.00	125.00	150.00	187.50	225.00			
Commitment Fee	20.00	25.00	40.00	50.00	70.00			
3 Year Revolver & L/C's						15.00	25.00	50.00
ABR Spread	0.00	25.00	50.00	87.50	125.00			
LIBOR Spread	100.00	125.00	150.00	187.50	225.00			
Commitment Fee	25.00	30.00	45.00	55.00	75.00			

Total Fees and Expenses

Lenders' Upfront Fees ¹ :	\$1,560,000.00
Arranger's fee:	\$250,000.00
Legal counsel fees:	\$150,000.00
State regulatory filing fees:	\$1,000.00
Miscellaneous:	\$1,500.00
Total:	\$1,962,500.00

Lenders' Upfront Fees¹: (e.g. \$260,000,000 x .006 = \$1,560,000.00)

1. An Upfront Fee will be paid to each lender based upon the amount of such lender's commitment on the Closing date, ranging from 30 bps for a \$20M commitment to 60 bps for a \$40 M commitment.

ABR: Alternate Base Rate

LIBOR: London Interbank Offered Rate