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ENERGY/RHG

Decision 99-07-011 July 8, 1999

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of AVISTA)	
CORPORATION U-907-G, for an Order)	
authorizing the issuance, sale, delivery, and/or)	Application 99-04-039
guarantee of Debt Securities, in one or more series,)	(Filed April 29, 1999)
with an aggregate stated value of up to and)	
including \$400,000,000.)	
_____)	

OPINION

Summary of Decision

This decision grants Avista Corporation (Avista) the authority requested in Application (A.) 99-04-039 (Application).

Avista requests authority, pursuant to §§ 816 through 830 of the Public Utilities (PU) Code and the Commission's Rules of Practice and Procedure to issue, sell, deliver, and/or guarantee debentures or unsecured medium-term notes (collectively, Debt Securities), in one or more series, with an aggregate stated value of up to and including \$400,000,000.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of May 6, 1999. No protests have been received.

Background

Avista (previously The Washington Water Power Company¹) was incorporated in Washington Territory (now the State of Washington) on March 15, 1889. The term of incorporation is perpetual. Avista is engaged in the generation, transmission, distribution,

¹ By Advice Letter No. C-30-G dated January 7, 1999, The Washington Water Power Company notified the Commission of the change of name to Avista. This advice letter became effective on February 22, 1999. Pursuant to the advice letter, Avista will adopt and ratify all supplements or amendments to any tariffs which have been filed with the Commission and all tariffs will be changed over time, as changes are made to each individual tariff page.

and sale of electric energy, which it sells at retail to approximately 300,000 residential, commercial, and industrial customers in Eastern Washington and Northern Idaho, and at wholesale to public utilities, municipalities and others. The utility's electric properties are operated as a unified system and are interconnected with adjacent electric utilities. The electric energy sold by Avista 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. Natural gas is distributed and sold to approximately 255,000 residential, commercial and industrial customers in Eastern Washington, Northern Idaho, Central and Southwest Oregon, and South Lake Tahoe, California.

Avista does business in the State of California as WP Natural Gas, serving approximately 17,000 customers.

Avista's Unconsolidated Statement of Income for the Year Ended December 31, 1998, shown as Exhibit B(h)ii to the Application, shows total operating revenues of \$3,683,984,000 and net income of \$78,139,000. Of the \$3,683,984,000 revenues, \$1,049,212,000 pertains to total utility operating revenues. Avista's utility operating revenues for its California operations amount to \$13,569,000 or 1.3% of total utility operating revenues.

Avista's Unconsolidated Balance Sheet at December 31, 1998, is summarized below:

(Dollars in Thousands)

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$1,470,942
Other Property and Investments	532,010
Current Assets	968,596
Deferred Charges	<u>282,088</u>
 Total Assets	 <u>\$3,253,636</u>
 <u>Capitalization and Liabilities</u>	
Common Stock and Additional Paid in Capital	\$ 367,589
Other Shareholders' Equity/Retained Earnings	120,445
Preferred Stock Not Subject to Mandatory Redemption	269,227
Preferred Stock Subject to Mandatory Redemption	145,000
Long-term Debt	<u>730,022</u>
 Total Capitalization	 \$1,632,283
 Current Liabilities	 864,193
Deferred Credits	<u>757,160</u>
 Total Capitalization and Liabilities	 <u>\$3,253,636</u>

Description of Debt Securities

Avista proposes to issue debt capital in an aggregate amount not to exceed \$400,000,000 through the issuance of Debt Securities in one or more series, and may contain certain features which enhance the Debt Securities.

Debentures may be sold to underwriters or through agents who in turn will offer the debentures to investors, or may be sold directly to investors either with or without the assistance of a private placement agent. Debentures may be registered with the Securities and Exchange Commission and may be listed on a securities exchange. Early redemption or callable provisions will be determined and supplied at the time of issuance.

Medium-term notes (notes) may require registration under the federal securities laws. Notes may be issued as part of a program on a continuous or periodic basis. Avista may sell

notes through placement agents who market notes on a reasonable efforts basis. Notes may be sold also to underwriters who in turn will offer the notes to investors or may be sold directly to investors. Notes may be listed on a securities exchange.

Avista states in the Application that it may from time to time issue and sell other types of Debt Securities. These could be in the form of, but not limited to, convertible debt or a variation or combination of Debt Securities described in the Application. Because market conditions change rapidly and continuously, Avista wants the flexibility to issue a form of Debt Securities that has not been specifically described herein, albeit within the dollar limits herein requested. In advance of the date of issuance, Avista will notify the Commission, by letter, of the nature of any such other types of Debt Securities.

Terms and Conditions

Each issue of Debt Securities may contain a provision allowing it to be redeemed or repaid prior to maturity. An early redemption provision may allow the Debt Securities to be redeemed or repaid at any time, or it may allow the Debt Securities to be redeemed or repaid only after a certain restrictive period. In either case, the Debt Securities will be redeemable at par or at a premium over par. Securities may bear a fixed or floating rate of interest and may be issued at par or with an original issue discount or premium. In all series' issuances, the terms for the sale of each series will be determined at the time of issuance, and underwriters, agents, or other purchasers will be selected at that time. The terms for the sale of each series and the names of the underwriters, agents, or other purchasers will be supplied at the time of issuance.

Exemption from the Competitive Bidding Rule

In previous financing requests, most recently in D.97-10-054, the Commission recognized The Washington Water Power Company's statements that it is not subject to competitive bidding requirements in the other states in which it operates and that less than 2% of its total utility operating revenues are derived in California as reasons for exempting the utility from the requirements of the Competitive Bidding Rule.

To the extent that it would otherwise apply, we will not subject Avista's proposed issue of Debt Securities in this Application to the Competitive Bidding Rule.

Construction Budget

Avista's estimated Construction Budget - Capital Expenditures for the calendar years 1998, 1999 and 2000, as shown in its Supplemental Exhibit A to the Application are \$92,000,000, \$92,000,000 and \$108,000,000 respectively.

Cash Requirements Forecast

Avista's statement of cash requirements for 1998 through 2000, shown as Supplemental Exhibit C to the Application is summarized as follows:

(Dollars in Thousands)

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Funds Required for Capital Expenditure	\$ 92,295	\$ 92,363	\$108,258
Funds Required for Cash Dividends	64,548	40,948	40,948
Maturities of Long-Term Debt	14,000	104,600	55,000
Preferred Stock Redemptions	<u>10,000</u>	<u>0</u>	<u>0</u>
Total Cash Required	\$180,843	\$237,911	\$204,206
Less: Cash from Internal Sources	<u>76,363</u>	<u>124,694</u>	<u>99,770</u>
Cash Required from External Sources	<u>\$104,480</u>	<u>\$113,217</u>	<u>\$104,436</u>

The above forecast indicate that Avista's internally generated funds will provide \$300,827,000 or 48% of its total cash requirements of \$622,960,000.

Capital Ratios

Avista's capital ratios as of December 31, 1998, are presented below as recorded and adjusted to give pro forma effect to the proposed issue of \$400,000,000 of debentures and notes, authorized and unissued capital including \$166,000,000 secured medium-term notes, \$40,000,000 trust preferred securities, and \$58,936,000 common stock (3,061,614 shares @ \$19.25 12/31/98 share price):

	(Dollars in thousands)			
	<u>Recorded</u>		<u>Pro-Forma</u>	
	Amount	Percentage	Amount	Percentage
Long-Term Debt	730,022	44.7%	1,296,022	56.4%
Preferred Stock	145,000	8.9%	185,000	8.1%
Common Stock	<u>757,261</u>	<u>46.4%</u>	<u>816,197</u>	<u>35.5 %</u>
Total	1,632,283	100.0%	2,297,219	100.0%

Avista's ratesetting matters are normally reviewed during its Performance Based Ratemaking filings. We make no finding in this decision of the reasonableness of Avista's construction budget, cash requirements forecast, and capital ratios.

Use of Proceeds

Avista states in the Application that the proceeds from the issue and sale of its Debt Securities will be used for any or all of the following purposes: (1) construction, facility improvement, and maintenance programs, (2) retirement or exchange of one or more outstanding stock, bond, or note issuances, (3) reimbursement of the treasury for funds previously expended, and (4) for such other purposes, as may be permitted by law.

We remind Avista that the use of proceeds as stated in numbers 3 and 4 above, must conform with the requirements of PU Code § 817.

In Resolution (Res.) ALJ 176-3015 dated May 13, 1999, the Commission preliminarily categorized this Application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received. Given these developments, a

public hearing is not necessary, and there is no need to alter the preliminary determinations made in Res. ALJ 176-3015.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to PU Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Findings of Fact

1. Avista, a Washington corporation, operates as a public utility subject to the jurisdiction of this Commission.
2. Avista's California revenue is 1.3% of total utility operating revenue.
3. Avista has need for external funds for the purposes set forth in the Application.
4. The proposed issue of Debt Securities as set forth in the Application would be for proper purposes and not adverse to the public interest.
5. The money, property, or labor to be procured or paid for by the Debt Securities is reasonably required for the purposes specified in the Application.
6. Authorizing Avista to determine the precise amount and timing of each debt issue, the market in and method by which each debt issue is effected, and the price, interest rate, and other material provision of each debt issue would not be adverse to the public interest.
7. Debt Securities features are tools which may improve the terms and condition of debt issues and may lower overall cost of money for the benefit of ratepayers.
8. Exempting Avista from the Competitive Bidding Rule in issuing the Debt Securities would not be adverse to the interests of Avista's California ratepayers.
9. The Commission does not by this decision determine that Avista's construction budget, cash requirements forecast, and capital ratios are necessary or reasonable for ratemaking purposes.
10. Notice of the filing of the Application appeared on the Commission's Daily Calendar of May 6, 1999, and no protests have been received. There is no known opposition to the Application and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The Application should be granted to the extent set forth in the order which follows.
3. The proposed issue of Debt Securities, including features to enhance the terms and conditions of the offerings, is for lawful purposes and the money, property, or labor to be obtained is required for these purposes. Proceeds from the debt issue may not be charged to operating expense or income.
4. Avista has previously paid the fee of \$6,200 determined in accordance with PU Code § 1904 and in proportion to its California operating revenues.
5. The following order should be effective on the date of signature.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, Avista Corporation (Avista), upon terms and conditions substantially consistent with those set forth or contemplated in Application 99-04-039 (Application) is authorized to:
 - a. issue, sell, deliver, and/or guarantee debentures or unsecured medium-term notes (Debt Securities), in one or more series, with an aggregate stated value of up to and including \$400,000,000;
 - b. determine the precise amount and timing of each financing, the market in and method by which each is effected, price and interest rate and other material terms and provisions (including if any, the terms of redemption, repurchase, security, and subordination provisions) of the borrowings and of any Debt Securities related thereto.
2. Avista's proposed issue of Debt Securities is exempted from the requirements of the Commission's Competitive Bidding Rule.

3. Avista shall notify the Energy Division in writing of the nature of any new offering of Debt Securities not specifically described in the Application prior to its issuance.

4. On or after the 25th day of each month, Avista shall file the reports required by General Order Series 24.

5. The Application is granted as set forth above.

6. Application 99-04-039 is closed.

This order is effective today.

Dated July 8, 1999, at San Francisco, California.

RICHARD A. BILAS

President

HENRY M. DUQUE

JOSIAH L. NEEPER

JOEL Z. HYATT

CARL W. WOOD

Commissioners