

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



January 9, 2011

Public Utility Commission of Oregon
Administrative Hearings Division
550 Capitol St NE #215
PO Box 2148
Salem OR 97308-2148

Attention: Filing Center

We are submitting the following information in compliance with the Commission's Order No. 10-370 under proceeding No. UF-4265 regarding the authorization given for a \$600,000,000 credit facility.

On December 14, 2011, Avista Corporation (Avista Corp. or the Company) amended its \$400.0 million committed line of credit agreement with various banks. The committed line of credit was originally entered into on February 11, 2011.

Amendments to the committed line of credit include an extension of the expiration date to February 10, 2017 from February 11, 2015 and revised pricing terms. The following is a summary of the amended pricing terms based on the Company's current pricing level:

	Amended Pricing	Previous Pricing
Facility Fee	0.125%	0.20%
Eurodollar Margin	0.875%	1.30%
Alternate Base Rate Margin	0.000%	0.30%
Letter of Credit Participation Fee	0.875%	1.30%

The amended committed line of credit is secured by \$400.0 million of non-transferable First Mortgage Bonds of the Company issued to the agent bank. Such First Mortgage Bonds would only become due and payable in the event, and then only to the extent, that the Company defaults on its obligations under the committed line of credit.

The amended committed line of credit agreement contains customary covenants and default provisions, including a covenant not to permit the ratio of "consolidated total debt" to "consolidated total capitalization" of Avista Corporation to be greater than 65 percent at the end of any fiscal quarter.

Known fees and expenses related to the amendment and extensions of the credit agreement are listed in Table 1. Other fees and expenses may be presented to the Company after the date of this letter.

Table 1.

Type of Fee	Dollar Amount
Co-Lead Arranger Fee	\$200,000
Upfront Fees	668,438
Agency Fees	-
Legal Expenses	95,196
Fees and expenses paid for the extension	\$963,634

Fees for the amendment to the FMBs to allow for this extension are listed in Table 2 below.

Table 2.

Service	Amount
Legal Expenses	\$1,383
Title Endorsement Expenses	12,309
County Filing and Other Expenses	-
Total	\$13,692

To accompany the information above and to comply with the Commission's order 10-370 the Company is attaching the following two Exhibits:

- Exhibit A: Is the amendment discussion with the Company's Lead Arranger, MUFG. This exhibit demonstrates that the fees and interest rates for this extension are consistent with competitive market pricing for similar transactions. Any related expenses, the Company believes, are reasonable.
- Exhibit B: Is the Executed First Amendment to Credit Agreement and Waiver.

Please contact Damien Lysiak at (509) 495-2097 if you have any questions.

Sincerely,



Diane C. Thoren
Treasurer

Enclosure

FIRST AMENDMENT TO CREDIT AGREEMENT AND WAIVER THEREUNDER

This First Amendment to Credit Agreement and Waiver Thereunder (this "*Amendment*"), dated as of December 14, 2011, is entered into by AVISTA CORPORATION, a Washington corporation (the "*Borrower*"), the financial institutions identified on the signature pages hereof as "Continuing Lenders" (the "*Continuing Lenders*"), the financial institutions identified on the signature pages hereof as "Exiting Lenders" (the "*Exiting Lenders*"), the financial institutions identified on the signature pages hereof as "New Lenders" (the "*New Lenders*" and, together with the Continuing Lenders and the Exiting Lenders, the "*Lenders*"), WELLS FARGO BANK, NATIONAL ASSOCIATION, as an Issuing Bank, and UNION BANK, N.A., as Administrative Agent (the "*Administrative Agent*") and an Issuing Bank.

Recitals

A. The parties hereto, other than the New Lenders, are party to a Credit Agreement dated as of February 11, 2011 (the "*Credit Agreement*"). Terms defined in the Credit Agreement and not otherwise defined herein have the same respective meanings when used herein, and the provisions of Section 1.02 of the Credit Agreement are incorporated herein by reference.

B. The Borrower, the Continuing Lenders and the New Lenders wish to revise the pricing terms of the Credit Agreement, extend the Expiration Date pursuant to Section 2.20 of the Credit Agreement and restate Schedule 2.01 to the Credit Agreement, and the Lenders wish to waive certain requirements of Section 2.20 of the Credit Agreement. Accordingly, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Lenders, the Issuing Banks and the Administrative Agent hereby agree as set forth below.

SECTION 1. Amendments to Credit Agreement. Subject to satisfaction of the conditions precedent set forth in Section 3 of this Amendment, the Borrower, the Continuing Lenders and the New Lenders hereby agree that the Credit Agreement is amended as set forth below.

(a) The definition of "Applicable Rate" in Section 1.01 of the Credit Agreement is amended in full to read as follows:

“*Applicable Rate*” shall mean, on any date with respect to the Facility Fee, Eurodollar Loans, ABR Loans or the LC Participation Fee, the rate per annum set forth in the following table in the ‘Facility Fee,’ ‘Eurodollar Margin,’ ‘ABR Margin’ or ‘LC Participation Fee’ column, as applicable, for the Pricing Level in effect for such date.

Pricing Level	Facility Fee	Eurodollar Margin	ABR Margin	LC Participation Fee
I	0.100%	0.775%	0.000%	0.775%
II	0.125%	0.875%	0.000%	0.875%
III	0.175%	0.950%	0.000%	0.950%
IV	0.200%	1.050%	0.050%	1.050%
V	0.250%	1.250%	0.250%	1.250%
VI	0.300%	1.450%	0.450%	1.450%

For purposes of determining which Pricing Level is applicable in the foregoing table, the following rules will apply:

‘Pricing Level I’ will be applicable at any date if, at such date, the Senior Debt Rating is Fifth Lowest Investment Grade or higher;

‘Pricing Level II’ will be applicable at any date if, at such date, the Senior Debt Rating is Fourth Lowest Investment Grade and Pricing Level I is not applicable;

‘Pricing Level III’ will be applicable at any date if, at such date, the Senior Debt Rating is Third Lowest Investment Grade and neither Pricing Level I nor Pricing Level II is applicable;

‘Pricing Level IV’ will be applicable at any date if, at such date, the Senior Debt Rating is Second Lowest Investment Grade and none of Pricing Level I, Pricing Level II or Pricing Level III is applicable;

‘Pricing Level V’ will be applicable at any date if, at such date, the Senior Debt Rating is Lowest Investment Grade and none of Pricing Level I, Pricing Level II, Pricing Level III or Pricing Level IV is applicable;

‘Pricing Level VI’ will be applicable at any date if, at such date, (i) the Senior Debt Rating is Highest Non-Investment Grade or lower or (ii) there is no applicable Senior Debt Rating.”

(b) The definition of “Expiration Date” in Section 1.01 of the Credit Agreement is amended in full to read as follows:

“***Expiration Date*** shall mean February 10, 2017.”

(c) Schedule 2.01 to the Credit Agreement is amended in full to be in the form attached hereto as Schedule 2.01.

SECTION 2. Waivers. Subject to satisfaction of the conditions precedent set forth in Section 3 of this Amendment, the Lenders hereby waive (a) the notice provided for in Section 2.20(a) of the Credit Agreement with respect to extension of the Expiration Date, (b) the

provisions of Section 2.20(f) of the Credit Agreement, to the extent different from the provisions of Section 5 hereof, and (c) the condition specified in Section 4.03(a) of the Credit Agreement that no Loans be outstanding on the date of extension of the Expiration Date pursuant to Section 2.20.

SECTION 3. Conditions Precedent. This Amendment shall become effective on the date (the “*Effective Date*”), not later than December 30, 2011, on which all of the conditions set forth below have been fulfilled.

(a) The Administrative Agent shall have received all of the following, each dated the Effective Date (unless otherwise specified below), in form and substance satisfactory to the Administrative Agent and in the number of originals requested thereby:

(i) this Amendment, duly executed by the Borrower, the Lenders and the Issuing Banks;

(ii) evidence that the Borrower has furnished to the trustee under the First Mortgage the evidence of extension contemplated by Article I, Section 1, subsection (II)(h) of the Supplemental Indenture;

(iii) opinions of Davis Wright Tremaine LLP, counsel to the Borrower, Hawley Troxell Ennis & Hawley LLP, Idaho counsel to the Borrower, and Crowley Fleck PLLP, Montana counsel to the Borrower (or such other firm or firms approved by the Administrative Agent), each addressed to the Administrative Agent, the Lenders and the Issuing Banks (or, in the case of the latter two opinions, addressed to Davis Wright Tremaine LLP), with respect to such matters relating to (A) the Borrower, (B) this Amendment and each Commitment Extension Supplement delivered pursuant hereto (the “*Amendment Documents*”) and (C) the Loan Documents as amended by the Amendment Documents as the Administrative Agent or any Lender or Issuing Bank may reasonably request (the Borrower hereby instructing each such counsel to deliver its opinion to the Administrative Agent);

(iv) evidence satisfactory to the Administrative Agent that the Borrower has obtained all consents and approvals of, and has made all filings and registrations with, any Governmental Authority required in order to consummate the Transactions (as defined in Section 4(b) hereof), in each case without the imposition of any condition that, in the judgment of the Administrative Agent, could adversely affect the rights or interests of the Lenders, the Issuing Banks or the Administrative Agent under any of the Amendment Documents or the Loan Documents as amended thereby;

(v) a copy of the articles of incorporation of the Borrower (as most recently amended and restated), including all amendments thereto, certified as of a recent date by the Secretary of State of the State of Washington;

(vi) certificates, each dated as of a recent date, from the appropriate Governmental Authorities of the States of Washington, Idaho, Montana and Oregon as to the good standing of the Borrower to do business in those states;

(vii) a certificate of the Secretary or Assistant Secretary of the Borrower certifying (A) that attached thereto is a true and complete copy of the restated articles of incorporation and the bylaws of the Borrower as in effect on the Effective Date of this Amendment and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the board of directors of the Borrower authorizing the Transactions, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the articles of incorporation of the Borrower have not been amended since the date of the last amendment thereto shown on the certification with respect thereto furnished pursuant to clause (v) above and (D) as to the incumbency and specimen signature of each officer executing any Amendment Document or any other document delivered in connection therewith on behalf of the Borrower;

(viii) a certificate of another officer of the Borrower as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate provided pursuant to clause (vii) above;

(ix) a certificate of a Financial Officer of the Borrower certifying that the representations and warranties set forth in Sections 4(f) and (g) of this Amendment are true and correct;

(x) an endorsement or other written assurance, dated as of a recent date, provided by First American Title Insurance Company confirming that title insurance policy number NSL 31426-SEA issued thereby, including all endorsements thereto (collectively the "**Title Policy**"), (A) insures the Lien of the First Mortgage (including as modified by the Supplemental Indenture) securing the First Mortgage Bond, in each case with the Expiration Date extended to February 10, 2017, (B) insures the trustee under the First Mortgage as the insured party and (C) insures the Borrower's title to the real property subject to the Lien of the First Mortgage, and the validity and first priority of the Lien of the First Mortgage (subject to Liens permitted to exist by the terms of the First Mortgage), in an amount not less than \$785,000,000, certified by a Financial Officer of the Borrower;

(xi) a Commitment Extension Supplement with respect to each Additional Commitment Lender, duly executed by such Additional Commitment Lender, the Borrower and each Issuing Bank;

(xii) an Administrative Questionnaire, duly executed by each New Lender; and

(xiii) such other documents as the Administrative Agent or any Lender, or legal counsel to any of them, may reasonably request.

(b) All fees payable by the Borrower to the Administrative Agent, the "Co-Lead Arrangers" identified on the cover page of the Credit Agreement, the Issuing Banks, the Lenders or any of their respective Affiliates on or prior to the Effective Date with respect to this

Amendment, and all amounts payable by the Borrower pursuant to Section 10.05 of the Credit Agreement for which invoices have been delivered to the Borrower on or prior to the Effective Date, shall have been paid in full or arrangements satisfactory to the Administrative Agent shall have been made to cause them to be paid in full.

(c) All legal matters incident to the Amendment Documents, the Loan Documents as amended thereby and the Transactions shall be reasonably satisfactory to the Administrative Agent, the Lenders, the Issuing Banks and their respective legal counsel.

SECTION 4. Representations and Warranties. In order to induce the Lenders, the Issuing Banks and the Administrative Agent to enter into this Amendment, the Borrower represents and warrants to them as set forth below.

(a) The Borrower has the corporate power and authority (i) to execute and deliver the Amendment Documents, (ii) to perform its obligations under the Amendment Documents and under the Loan Documents as amended thereby and (iii) to borrow Loans and procure the issuance of Letters of Credit.

(b) The execution and delivery of the Amendment Documents by the Borrower, the performance by the Borrower of its obligations under the Amendment Documents and the Loan Documents as amended thereby, and the borrowing of Loans and procurement of Letters of Credit under the Credit Agreement as amended hereby (collectively the "**Transactions**"), (i) have been duly authorized by all requisite corporate and, if required, stockholder action and (ii) will not (A) violate any provision of law, statute, rule or regulation the violation of which could reasonably be expected to impair the validity or enforceability of any Amendment Document or any Loan Document as amended thereby or materially impair the rights of or benefits available to the Lenders, the Issuing Banks or the Administrative Agent under any Amendment Document or any Loan Document as amended thereby, (B) violate any provision of the certificate or articles of incorporation or other constitutive documents or bylaws of the Borrower or any Significant Subsidiary, (C) violate any order of any Governmental Authority the violation of which could reasonably be expected to impair the validity or enforceability of any Amendment Document or any Loan Document as amended thereby or materially impair the rights of or benefits available to the Lenders, the Issuing Banks or the Administrative Agent under any Amendment Document or any Loan Document as amended thereby, (D) violate any provision of any indenture or other material agreement or instrument evidencing or relating to borrowed money to which the Borrower or any Significant Subsidiary is a party or by which any of them or any of their property is or may be bound, in a manner that could reasonably be expected to impair the validity or enforceability of any Amendment Document or any Loan Document as amended thereby or materially impair the rights of or benefits available to the Lender, the Issuing Banks or the Administrative Agent under any Amendment Document or any Loan Document as amended thereby, (E) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument in a manner that could reasonably be expected to impair the validity or enforceability of any Amendment Document or any Loan Document as amended thereby or materially impair the rights of or benefits available to the Lenders, the Issuing Banks or the Administrative Agent under any Amendment Document or any Loan

Document as amended thereby or (F) result in the creation or imposition under any such indenture, agreement or other instrument of any Lien upon or with respect to any property or assets now owned or hereafter acquired by the Borrower.

(c) This Amendment has been duly executed and delivered by the Borrower and constitutes, and each other Amendment Document when executed and delivered by the Borrower will constitute, a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(d) No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except such as have been made or obtained and are in full force and effect.

(e) The First Mortgage constitutes a valid and perfected first-priority Lien on the collateral purported to be encumbered thereby (subject to Liens permitted to exist by the terms of the First Mortgage), enforceable against all third parties in all jurisdictions, and secures the payment of all obligations of the Borrower under the First Mortgage Bond, and the execution, delivery and performance of this Amendment and the other Amendment Documents do not adversely affect the Lien of the First Mortgage.

(f) The representations and warranties set forth in the Credit Agreement and in each other Loan Document are true and correct in all material respects on and as of the Effective Date after giving effect to the Amendment Documents, except to the extent such representations and warranties expressly relate to an earlier date.

(g) No Default or Event of Default has occurred and is continuing either before or after giving effect to the Amendment Documents.

SECTION 5. Assignment of Loans, LC Disbursements and LC Participations to Reflect Revised Commitments.

(a) On the Effective Date, each Additional Commitment Lender shall purchase, as an assignment from the Exiting Lenders, such portions of the Exiting Lenders' Commitments, Loans, unreimbursed LC Disbursements and participations in Letters of Credit outstanding at such time such that, after giving effect to such assignments, the respective aggregate amount of Commitments, Loans, unreimbursed LC Disbursements and participations in Letters of Credit of each Additional Commitment Lender shall be equal to its Pro Rata Share (determined by reference to Schedule 2.01 attached hereto) of the aggregate Commitments, Loans, unreimbursed LC Disbursements and participations in Letters of Credit outstanding. The purchase price for the Commitments, Loans, unreimbursed LC Disbursements and participations in Letters of Credit so assigned shall be the sum of (i) the principal amount of the Loans and unreimbursed LC Disbursements so assigned plus the amount of accrued and unpaid interest thereon as of the date of assignment, (ii) the amount of accrued and unpaid LC Participation Fees as of the date of assignment on the participations in Letters of Credit so assigned and (iii) the amount of accrued and unpaid Facility Fees as of the date of assignment on the Commitments so assigned. Each Additional Commitment Lender shall pay the aggregate purchase price payable

by it to the Administrative Agent on the Effective Date, and the Administrative Agent shall promptly forward to each Exiting Lender the portion thereof payable to it. Upon payment of the applicable amounts to the Exiting Lenders, the Exiting Lenders shall automatically be deemed to have sold and made the applicable assignments to the Additional Commitment Lenders and shall be released from their respective obligations under the Loan Documents, and the Additional Commitment Lenders shall automatically be deemed to have purchased and accepted such assignments from the Exiting Lenders and, in the case of each Additional Commitment Lender not already a Lender under the Credit Agreement, shall become parties to the Credit Agreement and, to the extent of the interests assigned thereto, have the rights and obligations of Lenders under the Credit Agreement and the other Loan Documents.

(b) Without limiting the foregoing, upon the effectiveness of the assignments contemplated by clause (a) above, (i) each Exiting Lender shall be discharged from its Commitment and other obligations (other than the return of its Note) under the Credit Agreement and shall no longer be a Lender thereunder, (ii) the Borrower, the Administrative Agent and the Issuing Banks shall be deemed to have consented to the assignments effected pursuant to clause (a) above, and (iii) the Administrative Agent shall record the Commitments, Loans and LC Disbursements of each Additional Commitment Lender and each Exiting Lender as provided in Section 10.04 of the Credit Agreement to reflect such assignments.

SECTION 6. Effect of Amendment on Interest and Fee Rates. Changes in interest rates and fee rates effected by this Amendment shall apply with respect to interest and fees accruing on or after the Effective Date, and interest rates and fee rates in effect before the Effective Date shall apply with respect to interest and fees accrued before the Effective Date.

SECTION 7. Reference to and Effect on Loan Documents.

(a) On and after the effective date of this Amendment, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to “the Credit Agreement,” “thereunder,” “thereof,” “therein” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

(b) Except as specifically amended above, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed. Without limiting the generality of the foregoing, the First Mortgage and all of the collateral described therein do and shall continue to secure the payment of all obligations under the First Mortgage Bond, as amended hereby.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent, any Issuing Bank or any Lender under any of the Loan Documents or constitute a waiver of any provision of any of the Loan Documents, except as expressly provided herein.

SECTION 8. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier or e-mail shall be effective as delivery of an originally executed counterpart of this Amendment.

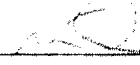
SECTION 9. Governing Law. THIS AMENDMENT AND THE OTHER AMENDMENT DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 10. Headings. Section headings in this Amendment are for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

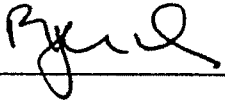
[Signature pages follow.]

The parties hereto have caused this Amendment to be executed by their respective duly authorized representatives as of the date first written above.

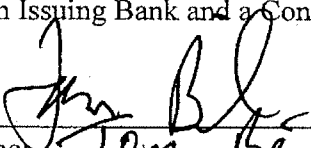
AVISTA CORPORATION

By: 
Name: Mark T. Thies
Title: Senior Vice President and
Chief Financial Officer

UNION BANK, N.A., as Administrative Agent, an
Issuing Bank and a Continuing Lender

By: 
Name: BRYAN P. READ
Title: VICE PRESIDENT


WELLS FARGO BANK, NATIONAL ASSOCIATION,
as an Issuing Bank and a Continuing Lender

By: 
Name: John B. [unclear]
Title: SVP


THE BANK OF NEW YORK MELLON,
as a Continuing Lender

By: Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

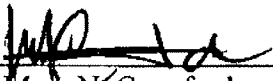
KEYBANK NATIONAL ASSOCIATION,
as a Continuing Lender

By: 
Name: Keven D. Smith
Title: Senior Vice President

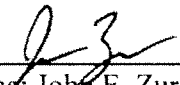
U.S. BANK NATIONAL ASSOCIATION,
as a Continuing Lender

By: 
Name: RAYMOND J PALMER
Title: SR VICE PRESIDENT

BANK OF AMERICA, N.A., as a Continuing Lender

By: 
Name: Mark N. Crawford
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.,
as a Continuing Lender

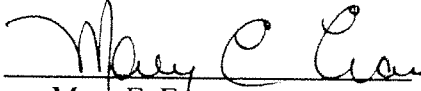
By:  _____
Name: John E. Zur _____
Title: Authorized Officer _____

UBS LOAN FINANCE LLC, as a Continuing Lender

By: 

Name: Irja R. Otsa


Title: Associate Director


By: 

Name: Mary E. Evans

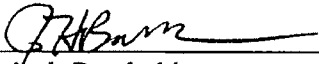
Title: Associate Director

CREDIT SUISSE AG, CAYMAN ISLANDS
BRANCH, as a Continuing Lender

By: 
Name: William O'Daly
Title: Director

By: 
Name: Sanja Gazahi
Title: Associate


COBANK, ACB, as a New Lender

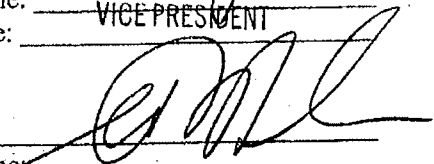
By: 
Name: Josh Batchelder
Title: Vice President

BANNER BANK, as a Continuing Lender

By: Ben
Name: Ben Luetz, CPA
Title: AVP

BANK HAPOALIM B.M., as an Exiting Lender

By: 
Name: HELEN H. GATESON
Title: VICE PRESIDENT

By: 
Name: Frederic S. Becker
Title: Senior Vice President

CIBC INC., as an Exiting Lender

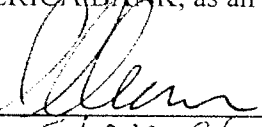
By: Robert W Casey
Name: _____
Title: _____

Robert Casey
CIBC Inc.
Authorized Signatory

By: Joshua J Hogarth
Name: _____
Title: _____

Joshua J. Hogarth
CIBC Inc.
Authorized Signatory

COMERICA BANK, as an Exiting Lender

By: 
Name: Steve Clear
Title: Vice President

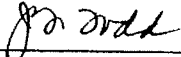
FIRST COMMERCIAL BANK LTD.,
NEW YORK BRANCH, as an Exiting Lender

By:  _____

Name: Jason Lee

Title: V.P. & General Manager

SCOTIABANC INC., as an Exiting Lender

By: 
Name: J.F. Todd
Title: Managing Director

SCHEDULE 2.01

Names, Commitments and Addresses of Lenders

<u>Lender</u>	<u>Commitment</u>
Union Bank, N.A. 445 South Figueroa Street Los Angeles, CA 90071 Attention: Bryan Read Telecopy: 213-236-4096	\$60,000,000
Wells Fargo Bank, National Association 601 West 1st Avenue, Suite 900 Spokane, WA 99201 Attention: Tom Beil / Jessy Hummel Telecopy: 866-917-7929	\$60,000,000
The Bank of New York Mellon BNY Mellon Center, Room 3600 Pittsburgh, PA 15258-0001 Attention: Mark W. Rogers Telecopy: 412-236-6112	\$42,500,000
KeyBank National Association 601 108th Avenue Bellevue, WA 98004 Attention: Keven Smith Telecopy: 425-709-4348	\$42,500,000
U.S. Bank National Association 101 South Capitol Boulevard Boise, ID 83712 Attention: Holland Williams Telecopy: 208-383-7574	\$42,500,000
Bank of America, N.A. 800 5th Avenue, Floor 36 WA 1-501-36-06 Seattle, WA 98104 Attention: Mark Crawford Telecopy: 206-585-8638	\$33,725,000

<u>Lender</u>	<u>Commitment</u>
JPMorgan Chase Bank, N.A. 10 South Dearborn Street, Floor 9 Chicago, IL 60603 Attention: John Zur Telecopy: 312-732-1762	\$33,725,000
UBS Loan Finance LLC 677 Washington Boulevard Stamford, CT 06901 Attention: Denise Bushee Telecopy: 203-719-3888	\$33,725,000
Credit Suisse AG, Cayman Islands Branch 11 Madison Avenue New York, NY 10010 Attention: William O'Daly Telecopy: 212-743-2254	\$21,012,500
CoBank, ACB 5500 South Quebec Street Greenwood Village, CO 80111 Attention: Josh Batchelder Telecopy: 303-740-4120	\$20,000,000
Banner Bank 802 West Riverside Avenue Spokane, WA 99201 Attention: TJ Brill Telecopy: 509-482-5765	\$10,312,500
Total:	\$400,000,000

Strictly Private & Confidential



MUFG

Avista Corporation

Amendment Discussion

October 6, 2011



Executive Summary

AGENDA

- Executive Summary
 - Amendment Discussion
 - Capabilities
 - Contact Information
- MUFG is pleased to present Avista Corporation (“Avista” or the “Company”) with an overview of the bank market and to discuss the amendment of Avista’s \$400 million Senior Secured Revolving Credit Facility (the “Facility”).
 - After a slowdown in the bank markets this summer, loan activity has returned to levels seen earlier in the year and pricing has continued to compress for high-quality issuers like Avista.
 - MUFG has calculated cost savings of \$1.7-2.6 million in financing costs for Avista by amending and extending its credit facility in 4Q 2011.
 - As a top 5 bookrunner and lender to most U.S. utility syndicated loans, MUFG has significant experience helping our clients obtain innovative financing solutions at the best achievable terms.
 - MUFG looks forward to leveraging its industry and loan market expertise to help Avista achieve its financing goals.



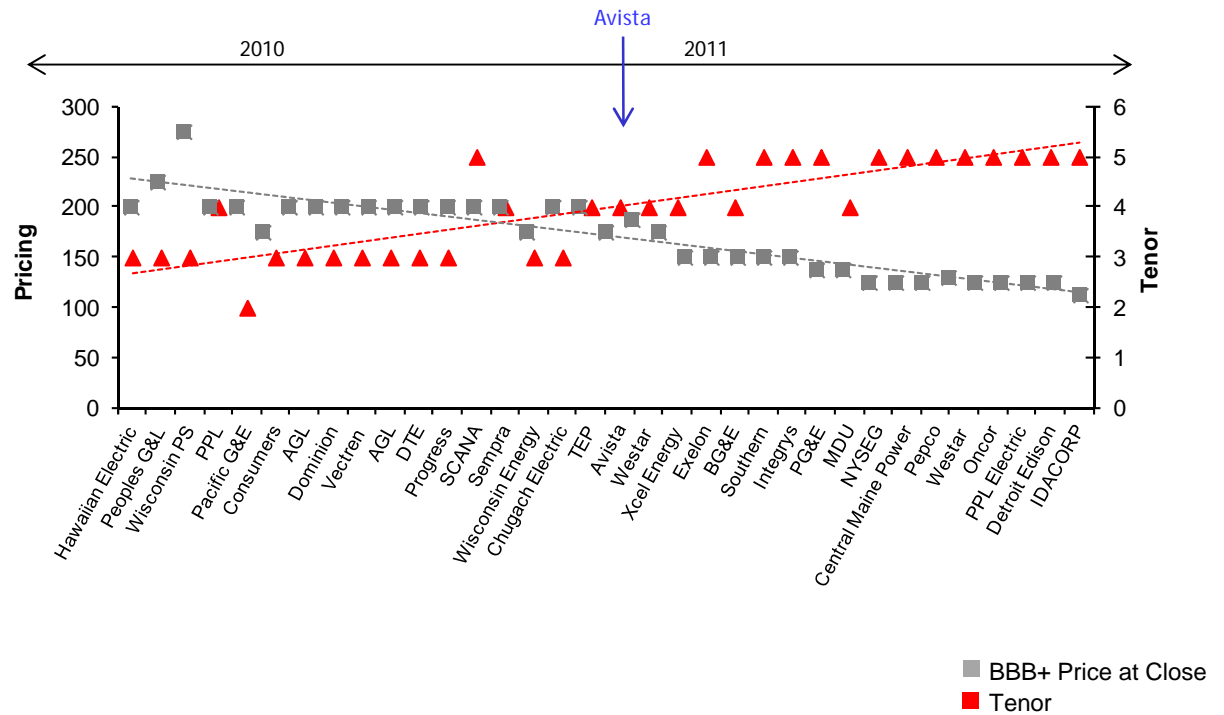
Amendment Discussion

Pricing and Tenor Trends for Select Utility Transactions

- Pricing in the loan market for utilities has been trending steadily downward for the past two years while tenor has been trending in the opposite direction
- This has prompted several issuers to consider amending and extending their credit facilities

PRICING AND TENOR TRENDS FOR SELECT TRANSACTIONS FROM 2010 THROUGH 2011

- While SCANA's 5-year transaction appeared to be an outlier, Exelon (MUFG-led) began a new norm in tenor for utility issuers.
- Pricing held steady over the summer until the IDACORP transaction (MUFG-led) launched with drawn pricing 12.5 bps lower at the BBB+ level



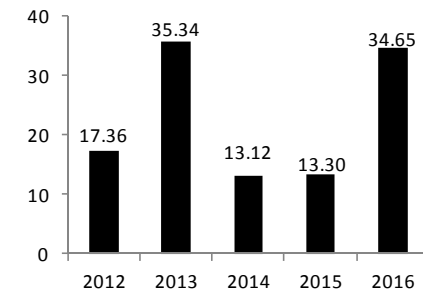
U.S. Utilities Maturity Calendar

- Some issuers have already chosen to amend and extend while several more large transactions are expected to come to market this fall based on upcoming credit facility maturities
- Many issuers are eager to amend ahead of potential market disruptions resulting from ongoing macroeconomic concerns
- MUFG is expecting approximately \$10-12BN more in volume prior to year-end

	2012	(in BN)	Tenor	Maturity	2013	(in BN)	Tenor	Maturity	2014	(in BN)	Tenor	Maturity
Notable 2012 - 2014 Maturities	Idacorp	\$0.40	5-yr	Apr-12	SoCal Ed ¹	\$4.30	Multi yr	Feb-13	Puget Sound	\$1.15	5-yr	Feb-14
	TECO Energy	\$0.53	5-yr	May-12	Enogex	\$0.25	5 yr	Mar-13	El Paso	\$0.20	4-yr	Sep-14
	Spectra Energy	\$2.00	5-yr	May-12	FPL ²	\$3.00	Multi yr	Apr-13	Sempra	\$3.80	4-yr	Oct-14
	Progress	\$0.48	5+yr	May-12	NextEra	\$4.00	3-yr	Apr-13	Cleco	\$0.50	4-yr	Oct-14
	Duke	\$3.10	5-yr	Jun-12	NV Energy	\$0.85	3-yr	Apr-13	UIL	\$0.40	4-yr	Oct-14
	Consolidated Edison	\$1.50	5+yr	Jun-12	DPL	\$0.20	3-yr	Apr-13	UniSource/TEP	\$0.77	4-yr	Nov-14
	EME	\$1.00	5-yr	Jun-12	Entergy ³	\$0.55	3-yr	Jul-13	EQT	\$1.50	4-yr	Dec-14
	Entergy	\$4.00	5-yr	Aug-12	MidAmerican Energy	\$1.99	5+yr	Jul-13	AES Corp	\$0.80	4-yr	Dec-14
	PNM/PNMR	\$0.93	5+yr	Aug-12	Portland Gen	\$0.40	5+yr	Jul-13	PPL Corp	\$4.00	4-yr	Dec-14
	DTE	\$1.00	2-yr	Aug-12	Consumers	\$0.15	3-yr	Aug-13	2014 Total	\$13.12		
	PacifiCorp	\$0.63	5-yr	Oct-12	Great Plains	\$1.25	3-yr	Aug-13				
	Alliant	\$0.60	5+yr	Nov-12	DTE	\$0.80	3-yr	Aug-13				
	OGE Energy	\$0.99	5+yr	Dec-12	AGL Capital Corp	\$1.00	3-yr	Aug-13				
	Portland Gen	\$0.20	3-yr	Dec-12	Vectren	\$0.60	3-yr	Aug-13				
	2012 Total	\$17.36			Ameren	\$2.10	3-yr	Sep-13				
					Energen	\$1.00	3-yr	Sep-13				
				Northeast Utilities	\$0.90	3-yr	Sep-13					
				Constellation ⁴	\$2.65	3-yr	Sep-13					
				Progress	\$1.50	3-yr	Oct-13					
				TXU	\$2.70	5+yr	Oct-13					
				Oncor	\$1.90	5+yr	Oct-13					
				AEP	\$1.50	3-yr	Dec-13					
				Wisconsin Energy	\$1.25	3-yr	Dec-13					
				NextEra	\$0.50	3-yr	Dec-13					
				2013 Total	\$35.34							

Transactions in red are currently in the market

Maturing Volume Yearly Totals (\$BN)



Source: SNL, MUFG

¹ Includes \$3.8BN 5+ year facilities due 2/13 and \$5BN 3-year facility due 3/13

² Includes \$2.5BN 5+ year facility due 4/13 and \$5BN 3-year facility due 5/13

³ Includes \$3.6BN River Fuel facilities due 7/13 and \$.19BN SERI facility due 5/13

⁴ Includes \$150MM facility due 9/13 and \$2.5BN facility due 10/13

Select Bank Market Comparables

Name	PNM Resources	IDACORP	TECO Energy	DTE Energy	PPL	Spectra Energy	Oncor	Westar Energy
Month of Launch Status	September-11 In Market	September-11 In Market	September-11 In Market	September-11 In Market	September-11 Pending Close	September-11 Pending Close	September-11 Closed	September-11 Closed
Ratings-Sr at Close	See Notes Below	See Notes Below	See Notes Below	See Notes Below	See Notes Below	See Notes Below	A-/Baa1	BBB-/Baa1
Total Deal Size (MM's)	\$700	\$425	\$525	\$1,800	\$4,000	\$2,200	\$2,000	\$730
Facility Type	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>
Drawn Cost (Liber + bps):	≥ BBB-/Baa1: 112.5 BBB-/Baa2: 125 BBB-/Baa3: 150 *	≥ A/A2: 87.5 A-/A3: 100 BBB-/Baa1: 112.5 ^B BBB-/Baa2: 125 ^A BB-/Baa3: 150 ≤ BB-/Baa3: 225	≥ A/A2: 87.5 A-/A3: 112.5 BBB-/Baa1: 125 ^B BBB-/Baa2: 150 ^A BBB-/Baa3: 175 < BBB-/Baa3: 200	≥ A/A2: 100 A-/A3: 112.5 ^C BBB-/Baa1: 125 ^B BBB-/Baa2: 150 ^A BBB-/Baa3: 175 < BBB-/Baa3: 200	≥ A/A2: 100 A-/A3: 112.5 ^C BBB-/Baa1: 125 ^B BBB-/Baa2: 150 ^A BBB-/Baa3: 162.5 < BBB-/Baa3: 187.5	≥ A/A2: 100 A-/A3: 112.5 BBB-/Baa1: 125 BBB-/Baa2: 137.5 ^{A,B} BBB-/Baa3: 162.5 < BBB-/Baa3: 187.5	≥ A/A2: 100 A-/A3: 112.5 BBB-/Baa1: 125 BBB-/Baa2: 150 ≤ BBB-/Baa3: 175	≥ A/A2: 100 A-/A3: 112.5 BBB-/Baa1: 125 BBB-/Baa2: 150 BBB-/Baa3: 175 < BBB-/Baa3: 200
* Denotes Pricing Level								
Undrawn Fees (bps):			Facility Fee	Facility Fee		Facility Fee		
* Denotes Pricing Level	≥ BBB-/Baa1: 17.5 BBB-/Baa2: 20 BBB-/Baa3: 25 * BB-/Baa1: 30 BB-/Baa2: 35 * ≤ BB-/Baa3: 45	≥ A/A2: 10 A-/A3: 12.5 BBB-/Baa1: 17.5 ^B BBB-/Baa2: 20 ^A BBB-/Baa3: 25 < BBB-/Baa3: 30	≥ A/A2: 10 A-/A3: 12.5 BBB-/Baa1: 17.5 ^B BBB-/Baa2: 22.5 ^A BBB-/Baa3: 27.5 < BBB-/Baa3: 37.5	≥ A/A2: 10 A-/A3: 12.5 ^C BBB-/Baa1: 17.5 ^B BBB-/Baa2: 22.5 ^A BBB-/Baa3: 27.5 < BBB-/Baa3: 37.5	≥ A/A2: 10 A-/A3: 12.5 ^C BBB-/Baa1: 17.5 ^B BBB-/Baa2: 20 ^{A,B} BBB-/Baa3: 25 < BBB-/Baa3: 35	≥ A/A2: 10 A-/A3: 12.5 BBB-/Baa1: 17.5 BBB-/Baa2: 20 ^{A,B} BBB-/Baa3: 25 < BBB-/Baa3: 35	≥ A/A2: 10 A-/A3: 12.5 BBB-/Baa1: 17.5 BBB-/Baa2: 22.5 ≤ BBB-/Baa3: 27.5	≥ A/A2: 10 A-/A3: 12.5 BBB-/Baa1: 17.5 BBB-/Baa2: 22.5 BBB-/Baa3: 27.5 < BBB-/Baa3: 37.5
Maturity (Yrs):	5	5	5	5	5	5	5	5
Upfront Fee (bps):	\$100MM: 35 bps \$50MM: 27.5 bps \$25MM: 22.5 bps	\$75MM: 27.5 bps \$60MM: 25 bps \$30MM: 20 bps	20-30 bps on average	\$165MM: 30 bps \$125MM: 27.5 bps \$75MM: 25 bps < \$75MM: 20 bps	15 bps consent fee	22.5 bps on average	\$150MM: 35 bps	\$100MM: 30 bps < \$100MM: 25 bps
Financial Covenants:	Max Debt/Capitalization .65x	Max Debt/Capitalization .65x	Max Debt/Capitalization .65x	Max Debt/Capitalization .65x	Max Funded Debt/Capitalization .65x Funded Debt/Capitalization .70x for PPL Energy Supply	Max Debt/Capitalization .65x ^A Max Leverage Ratio of 5.0x ^B	Max Debt/Capitalization .65x	Max Debt/Capitalization .65x
Notes:	^A PNM and FCP (BBB/Baa2) \$300MM RCF ^B PNM (BBB-/Baa3) \$400MM RCF Facilities are Unsecured L/C Sublimit \$700MM Swingline Sublimit of \$70MM Facility may be increased up to \$300MM	^A IDACORP (BBB/Baa2) \$125MM RCF ^B Idaho Power Co. (BBB/Baa1) \$300MM RCF Facilities are Unsecured L/C Sublimit \$50MM Swingline Sublimit of \$45MM Facility may be increased up to \$200MM	^A TECO Energy, Inc. (BBB/Baa3) \$200MM RCF ^B Tampa Electric Company (BBB-/Baa1) \$325MM RCF Facilities are Unsecured L/C Sublimit \$200MM	^A DTE Energy Co (Unsec - BBB/Baa2) / \$1,100MM ^B Detroit Edison Company (Unsec - BBB-/Baa1) / \$300MM ^C Michigan Consolidated Gas Co (Sec - A/A2) / \$400MM	^A PPL Energy Supply LLC (BBB/Baa3) \$3.0BN RCF ^B PPL Electric Utilities Corporation (BBB-/Baa2) \$200MM RCF ^C Louisville Gas & Electric Company and Kentucky Utilities Company (A-/Baa1) \$400MM/\$400MM RCF	^A Spectra Energy Capital, LLC (BBB/Baa2) \$1.5BN RCF ^B Spectra Energy Partners, LP (BBB/Baa3) \$0.7BN RCF	Facility is Secured L/C Sublimit \$500MM Swingline Sublimit of \$200MM	Facility is Secured by First Mortgage Bonds L/C Sublimit of \$730MM Swingline Sublimit of \$75MM Facility may be increased up to \$270MM

Select Bank Market Comparables

Name	ONEOK Partners LP	CenterPoint Energy	Pepco Holdings	People's Natural Gas	NorthWestern Corporation	American Electric Power	Iberdrola USA	FirstEnergy
Month of Launch Status	September-11 Closed	August-11 Closed	August-11 Closed	July-11 Closed	June-11 Closed	June-11 Closed	June-11 Closed	May-11 Closed
Ratings-Sr at Close	BBB-/Baa2	See Notes Below	See Notes Below	BBB-/Baa3 (OpCo)	BBB-/Baa1	BBB-/Baa2	See Notes Below	See Notes Below
Total Deal Size (MM's)	\$1,200	\$2,450	\$1,500	\$306	\$300	\$1,750	\$600	\$4,500
Facility Type	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>	<u>Senior Revolver</u>
Drawn Cost (Liber + bps):	≥ A-/A3: 112.5 BBB+/Baa1: 125 BBB-/Baa2: 150 BBB-/Baa3: 175 < BBB-/Baa3: 200 *	> BBB+/Baa1: 112.5 BBB+/Baa1: 125 BBB-/Baa2: 150 ^{B,C} BBB-/Baa3: 175 ^A BB+/Ba1: 200 < BB+/Ba1: 225	≥ A/A2: 100 A-/A3: 110 BBB-/Baa1: 130 ^B BBB-/Baa2: 150 ^A BBB-/Baa3: 170 < BBB-/Baa3: 185	BBB+/Baa1: 137.5 BBB-/Baa2: 162.5 BBB-/Baa3: 187.5 ^A BB+/Ba1: 212.5 ^{B,C} ≤ BB-/Ba2: 237.5	≥ A/A2: 87.5 A-/A3: 112.5 BBB+/Baa1: 125 * BBB-/Baa2: 150 BBB-/Baa3: 175 ≤ BBB-/Baa3: 175	≥ A/A2: 100 A-/A3: 112.5 BBB+/Baa1: 137.5 BBB-/Baa2: 150 * BBB-/Baa3: 175 < BBB-/Baa3: 200	≥ A/A2: 100 A-/A3: 112.5 BBB+/Baa1: 125 ^A BBB-/Baa2: 150 ^B BBB-/Baa3: 175 < BBB-/Baa3: 200	≥ A-/A3: 125 BBB+/Baa1: 150 BBB-/Baa2: 175 ^{B(FES)} BBB-/Baa3: 200 ^{B(AESC)} BB+/Ba1: 225 ≤ BB-/Ba2: 250
Undrawn Fees (bps):	≥ A-/A3: 15 BBB+/Baa1: 17.5 BBB-/Baa2: 20 BBB-/Baa3: 25 < BBB-/Baa3: 32.5 *	> BBB+/Baa1: 12.5 BBB+/Baa1: 17.5 BBB-/Baa2: 22.5 ^{B,C} BBB-/Baa3: 27.5 ^A BB+/Ba1: 37.5 < BB+/Ba1: 50	≥ A/A2: 12.5 A-/A3: 15 BBB+/Baa1: 20 ^B BBB-/Baa2: 25 ^A BBB-/Baa3: 30 < BBB-/Baa3: 40	BBB+/Baa1: 20 BBB-/Baa2: 25 BBB-/Baa3: 35 ^A BB+/Ba1: 40 ^{B,C} ≤ BB-/Ba2: 50	≥ A/A2: 10 A-/A3: 12.5 BBB+/Baa1: 17.5 * BBB-/Baa2: 22.5 BBB-/Baa3: 27.5 ≤ BBB-/Baa3: 27.5	≥ A/A2: 12.5 A-/A3: 15 BBB+/Baa1: 20 BBB-/Baa2: 25 * BBB-/Baa3: 30 < BBB-/Baa3: 40	≥ A/A2: 12.5 A-/A3: 15 BBB+/Baa1: 20 ^A BBB-/Baa2: 25 ^B BBB-/Baa3: 30 < BBB-/Baa3: 40	≥ A-/A3: 15 BBB+/Baa1: 20 BBB-/Baa2: 25 ^{B(FES)} BBB-/Baa3: 30 ^{A,B(AESC)} BB+/Ba1: 40 ≤ BB-/Ba2: 55
Maturity (Yrs):	5	5	5	5	5	5	5	5
Upfront Fee (bps):		30-40 bps	30-35 bps	45 bps	≥ \$30MM: 20 < \$30MM: 15	\$130 MM: 35 \$100 MM: 32.5 \$75 MM: 30 < \$75 MM: 25	\$70MM: 25 ≤ \$50MM: 20	>\$225 MM: 55 \$225 MM: 45 \$125 MM: 35
Financial Covenants:	Max. Debt to EBITDA of 5:1	Max Debt/Capitalization .65x ^{B,C} Max Debt to EBITDA 5.0x ^A	Max Debt/Capitalization .65x	Min Interest Coverage 2.00x Max Debt to EBITDA .65x	Max Debt/Capitalization .65x	Max Debt/Capitalization .675x	Max Debt/Capitalization .65x	Max Debt/Capitalization .65x
Notes:	Credit may be increased up to \$1.7B and extended by one additional year.	^A \$1,200MM RC for CenterPoint Energy (BBB-/Baa3) ^B \$84MM RC for CenterPoint Energy Resources (BBB-/Baa2) ^C \$300MM RC for CenterPoint Energy Houston Electric (Baa2)	^A \$750MM Sublimit Pepco Holdings (BBB-/Baa3) ^B \$250MM Sublimit for each Utility: Potomac Electric Power Co, Delmarva Power & Light, Atlantic City Electric Co (BBB+/Baa2)	^A \$205MM RC for PNG Companies LLC (BBB-/Baa3) (OpCo) ^B \$84MM TL for LDC Holdings LLC (Not rated) (HoldCo) ^C \$17MM TL for LDC Holdings II LLC (Not rated) (HoldCo)			^A \$300MM Revolver for Central Main Power (BBB+/Baa1) and \$200MM for NY State Electric & Gas (BBB+/Baa2) ^B \$100MM Rochester Gas & Electric (BBB-/Baa2)	^A \$2BN for FirstEnergy (BB+/Baa3) and other subs (various) ^B \$2.5BN for First Energy Solutions (FES) (BBB-/Baa2) and Allegheny Energy Supply Company (AESC) (BBB-/Baa3) Drawn pricing varies depending on ratings of applicable sub. Facilities are Unsecured



Proposed Terms and Conditions

■ Below are MUFG's indicative terms and conditions for amending and extending today:

	Existing Facility	Proposed Facility																																																								
Borrower	Avista Corporation	Same as existing																																																								
Facilities	400,000,000 Revolving Credit Facility	Same as existing or upsized if desired																																																								
Lead Arranger(s)	Union Bank, N.A. and Wells Fargo Bank, National Association	Same as existing																																																								
Maturity	February 11, 2015	February 11, 2016 (1 year extension)																																																								
Pricing	<table border="1"> <thead> <tr> <th>S&P</th> <th>Moody's</th> <th>All-in Drawn</th> <th>Facility Fee</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>A2</td> <td>1.375%</td> <td>0.175%</td> </tr> <tr> <td>A-</td> <td>A3</td> <td>1.500%</td> <td>0.200%</td> </tr> <tr> <td>BBB+</td> <td>Baa1</td> <td>1.750%</td> <td>0.250%</td> </tr> <tr> <td>BBB</td> <td>Baa2</td> <td>2.000%</td> <td>0.375%</td> </tr> <tr> <td>BBB-</td> <td>Baa3</td> <td>2.375%</td> <td>0.500%</td> </tr> <tr> <td>BB+</td> <td>Ba1</td> <td>2.750%</td> <td>0.750%</td> </tr> </tbody> </table>	S&P	Moody's	All-in Drawn	Facility Fee	A	A2	1.375%	0.175%	A-	A3	1.500%	0.200%	BBB+	Baa1	1.750%	0.250%	BBB	Baa2	2.000%	0.375%	BBB-	Baa3	2.375%	0.500%	BB+	Ba1	2.750%	0.750%	<table border="1"> <thead> <tr> <th>S&P</th> <th>Moody's</th> <th>All-in Drawn</th> <th>Facility Fee</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>A2</td> <td>0.875%</td> <td>0.100%</td> </tr> <tr> <td>A-</td> <td>A3</td> <td>1.000%</td> <td>0.125%</td> </tr> <tr> <td>BBB+</td> <td>Baa1</td> <td>1.125%</td> <td>0.175%</td> </tr> <tr> <td>BBB</td> <td>Baa2</td> <td>1.250%</td> <td>0.200%</td> </tr> <tr> <td>BBB-</td> <td>Baa3</td> <td>1.500%</td> <td>0.250%</td> </tr> <tr> <td>BB+</td> <td>Ba1</td> <td>1.750%</td> <td>0.300%</td> </tr> </tbody> </table>	S&P	Moody's	All-in Drawn	Facility Fee	A	A2	0.875%	0.100%	A-	A3	1.000%	0.125%	BBB+	Baa1	1.125%	0.175%	BBB	Baa2	1.250%	0.200%	BBB-	Baa3	1.500%	0.250%	BB+	Ba1	1.750%	0.300%
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Security	The Facility is secured by First Mortgage Bonds	Same as existing																																																								
Financial Covenants	Total Debt to Capitalization of .65x	Same as existing																																																								
Upfront Fees	≥ \$50MM: 40 bps \$40MM: 30 bps ≥ \$25MM: 20 bps	7.5 bps "consent fee" for all lenders.																																																								
Amendment Arrangement Fee	15 bps (\$300,000 to each Lead Arranger)	5 bps (\$100,000 to each Lead Arranger)																																																								

Amendment Analysis

■ The following analysis shows the cost savings Avista can achieve by amending today:

	Total Annual Interest Costs	Financing Cost	Total Costs through Maturity	Total Savings
<i>High Utilization Scenario</i>				
Do Nothing				
Drawn Interest	1,700,000			
Facility Fee	800,000			
Total	\$2,500,000	-	\$10,750,000	
Amend Pricing and Extend				
Drawn Interest	1,275,000			
Facility Fee	500,000			
Total	\$1,775,000	\$500,000	\$8,132,500	\$2,617,500
<i>Low Utilization Scenario</i>				
Do Nothing				
Drawn Interest	850,000			
Facility Fee	800,000			
Total	\$1,650,000	-	\$7,095,000	
Amend Pricing and Extend				
Drawn Interest	637,500			
Facility Fee	500,000			
Total	\$1,137,500	\$500,000	\$5,391,250	\$1,703,750

Refinancing Costs	Amend Pricing and Extend
Avg Upfront (bps)	7.5
Arrangement Fee (bps)	5
Total Fees (bps)	13
Total Fees (amt)	\$500,000

Assumptions

- To calculate the range of savings Avista can achieve, MUFG uses two different hypothetical utilization levels: Low and High
 - The Low Utilization Case assumes \$50MM used and \$350MM unused while the High Utilization Case assumes \$100MM used and \$300MM unused
- Refinancing costs reflect a 7.5 bps “consent fee” plus a 5 bp (\$200,000) amendment arrangement fee, consistent with MUFG’s proposed pricing
- A remaining tenor of 4.3 years was used to calculate total LIBOR and undrawn fees

Recommendation

- Mandate MUFG to lead the “amend & extend” of your Credit Facility
- Based on our analysis, Avista can achieve cost savings of approximately \$1,703,750-2,617,500.

Syndication Strategy

Institution	Current Commitment	Invite	Commit	Allocation
<u>Lead Arrangers</u>				
Union Bank	\$50,000,000	\$75,000,000	\$75,000,000	\$65,468,750
Wells Fargo	50,000,000	75,000,000	75,000,000	65,468,750
<u>Named Agents</u>				
The Bank of New York Mellon	37,500,000	37,500,000	37,500,000	37,500,000
Key Bank	37,500,000	37,500,000	37,500,000	37,500,000
US Bank	37,500,000	37,500,000	37,500,000	37,500,000
<u>General Syndication</u>				
Bank of America	30,000,000	30,000,000	30,000,000	30,000,000
JPMorgan	30,000,000	30,000,000	30,000,000	30,000,000
UBS	30,000,000	30,000,000	30,000,000	30,000,000
CIBC	18,750,000	18,750,000	18,750,000	18,750,000
Credit Suisse	18,750,000	18,750,000	18,750,000	18,750,000
Scotia Capital	18,750,000	18,750,000	18,750,000	18,750,000
Comerica	10,312,500	10,312,500	10,312,500	10,312,500
First Commercial Bank	10,312,500	10,312,500		
Bank Hapoalim	10,312,500	10,312,500		
Banner Bank	10,312,500	10,312,500		
TOTALS	\$400,000,000	\$450,000,000	\$419,062,500	\$400,000,000

- MUFG and Wells Fargo can increase their commitment as Lead Arrangers by \$25,000,000 each for a total of \$50,000,000 in new money to protect against potential drops at the bottom of the bank group

Utility Sector Lender Grid (1 of 2)

Name	Oncor	Westar Energy	CenterPoint Energy	Pepco Holdings	People's Natural Gas	NorthWestern Corporation	NRG Energy	American Electric Power	Iberdrola USA	FirstEnergy	PG&E	MDU Resources	Integrus	Southern Company	ONEOK, Inc.	PSEG	
Date	October-11	September-11	August-11	August-11	July-11	June-11	June-11	June-11	June-11	May-11	May-11	May-11	May-11	April-11	March-11	March-11	
Ratings-Sr	A-/Baa1	BBB+/Baa1	Various	Various	BBB-/Baa3	BBB/Baa1	BB-	BBB/Baa2	Various	Various	Various	BBB+/A1	Various	A-/A3	BBB/Baa2	Various	
Total Deal Size (MM's)	\$2,000	\$730	\$2,450	\$1,500	\$306	\$300	\$3,900	\$1,750	\$600	\$4,500	\$3,920	\$100	\$600	\$3,800	\$1,200	\$2,100	
Lender Grid	Count	18	14	19	17	6	8	18	26	10	26	18	4	18	29	18	23
MUFG	16	137	65	149	50	58	37.5	169	100	62	200	160	27.5	40	170	90	135
JP Morgan Chase	15	160	65	172	110	58	50	169	87.5	70	200	275		40	310	110	135
Citibank	13	160	65	172	120			169	87.5	50	200	275		45	230	90	110
Wells Fargo	13	137	65	172	120	50			100		200	275	27.5	45	245	90	135
US Bank	12	137	41	100			37.5		67.5		167	160	22.5	45	110	50	75
Bank of America Merrill Lynch	12	160	65	172	120		50	169		70	200	275		40	310	110	
Deutsche Bank	11		65	172			25	169	50	50		255		40	155	50	110
Goldman Sachs	11		41	100	50			169	67.5		195	255		40	230	50	110
Barclays Capital	11	160	61	172	110			169	100		200	255			215	90	135
Morgan Stanley	11	160		100	110			169	67.5		195	255		30	120	50	110
PNC	10	50		50	50	50			41.67		167		22.5	20	35		25
RBS	10	160		172	120			169	87.5		200	275			225	110	135
Bank of New York Mellon	9	100	65		50				67.5	62.0	167	190			200		45
BNP Paribas	8		41					100	67.5		195	255			80	50	110
Mizuho Corporate Bank Ltd	8			100				60	67.5		167	160		40	105		110
UBS	8		41	149			37.5		67.5		195	255			80	90	
Royal Bank of Canada	8	137		149				75	50		195	160				50	75
Credit Suisse	8	160		100	110		25	169	100		195						110
Northern Trust	7	40		50	50				25					20	25		25
Scolia Capital	6				110				67.5		200			45	150		135
BBVA Compass	6								50	62	120	160			70		75
Credit Agricole	5							100	67.5		120				70		75
Key Bank	5				85		37.5		87.5		200			40			
Sumitomo Mitsui Banking Corp	4							25	41.67		167					50	
SunTrust	4			149	85				67.5						175		
CoBank	4		61			50					125			20			
Fifth Third Bank	3								41.67					20	45		
Sovereign (Banco Santander)	3									62	120						25
Comerica	3	50		50										20			
CIBC	3	75									120				50		
TD Banknorth (Commerce)	2									62							75
Huntington National Bank	2								25		90						
Commerzbank	2							75							125		
ING	2							100							45		
National Cooperative Services Corporation	2														50		25
UMB Bank	2		15													25	

Lenders highlighted in grey are currently lenders in the Avista bank group



Utility Sector Lender Grid (1 of 2)

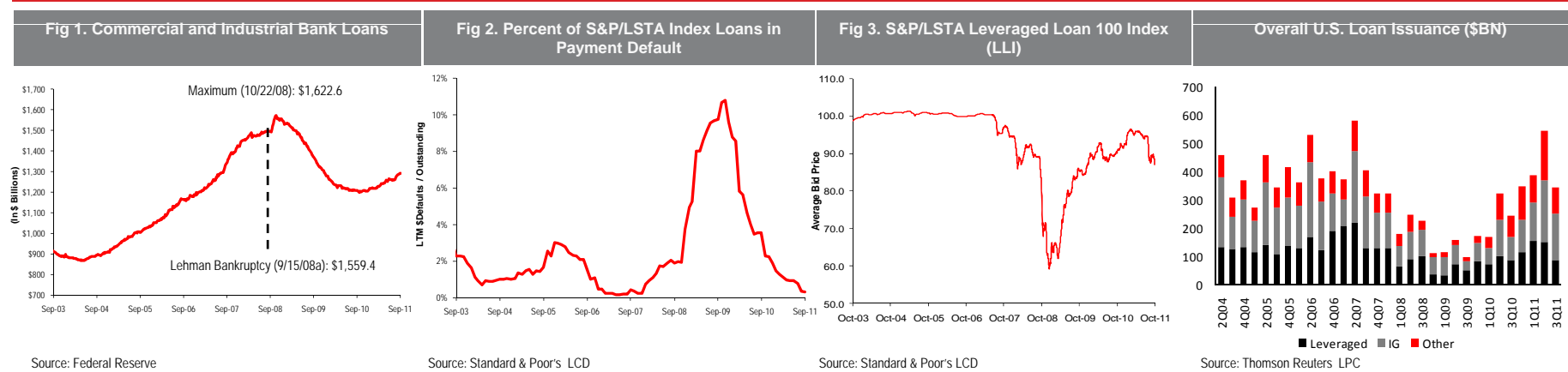
Name	Oncor	Westar Energy	CenterPoint Energy	Pepco Holdings	People's Natural Gas	NorthWestern Corporation	NRG Energy	American Electric Power	Iberdrola USA	FirstEnergy	PG&E	MDU Resources	Integrus	Southern Company	ONEOK, Inc.	PSEG	
Date	October-11	September-11	August-11	August-11	July-11	June-11	June-11	June-11	June-11	May-11	May-11	May-11	May-11	April-11	March-11	March-11	
Ratings-Sr	A-/Baa1	BBB+/Baa1	Various	Various	BBB-/Baa3	BBB/Baa1	BB-	BBB/Baa2	Various	Various	Various	BBB+/A1	Various	A-/A3	BBB/Baa2	Various	
Total Deal Size (MM's)	\$2,000	\$730	\$2,450	\$1,500	\$306	\$300	\$3,900	\$1,750	\$600	\$4,500	\$3,920	\$100	\$600	\$3,800	\$1,200	\$2,100	
Lender Grid	Count	18	14	19	17	6	8	18	26	10	26	18	4	18	29	18	23
Manufacturers and Traders Trust Company	1			50													
Arvest	1																20
Associated Bank	1												20				
Bank of Oklahoma	1																25
BB&T Corp	1														75		
Citizens Bank of Pennsylvania	1				40												
DnB NOR Bank ASA	1						75										
East West Bank	1										25						
HSBC	1								50								
Inlesa Sanpaolo	1														55		
Lloyds	1														45		
Mega International	1	12															
Taiwanese Cooperative	1	5															
Bank of Hapoalim	0																
Societe Generale	0																
Regions	0																

Lenders highlighted in grey are currently lenders in the Avista bank group



Syndicated Loan Market Update

U.S. Bank Market Overview - Supply and Demand Factors



YTD 2011 Overview

Near Term Outlook

Supply

- Banks are very well capitalized, holding record levels of cash which reached an all-time high of \$2.0T this July
- However commercial and industrial loans on banks' balance sheets continue to grow slowly and remain well off the peak of \$1,622T from Oct 2008 (Fig 1)
- Furthering supply considerations are recent contagion concerns of the European sovereign debt crisis which has increased the cost of funding for European banks and narrowed their focus to core assets

- While subscriptions to unfunded facilities such as revolvers remain liquid, capacity for funded facilities will decrease, particularly from European banks
- Fronting will also become more of a concern for lead arrangers of syndicates with perceived exposure to the European debt crisis, such as PIIGS banks

Demand

- Despite default rates as low as .32% for leveraged loans this September (Fig 2), investors have struggled to reconcile abundant liquidity with increased risk aversion
- Overall demand in the primary market has suffered amid continued outflows and volatility in the broader markets
- Secondary market levels have slipped since August, demonstrating weak performance in the leveraged loan market (Fig 3)

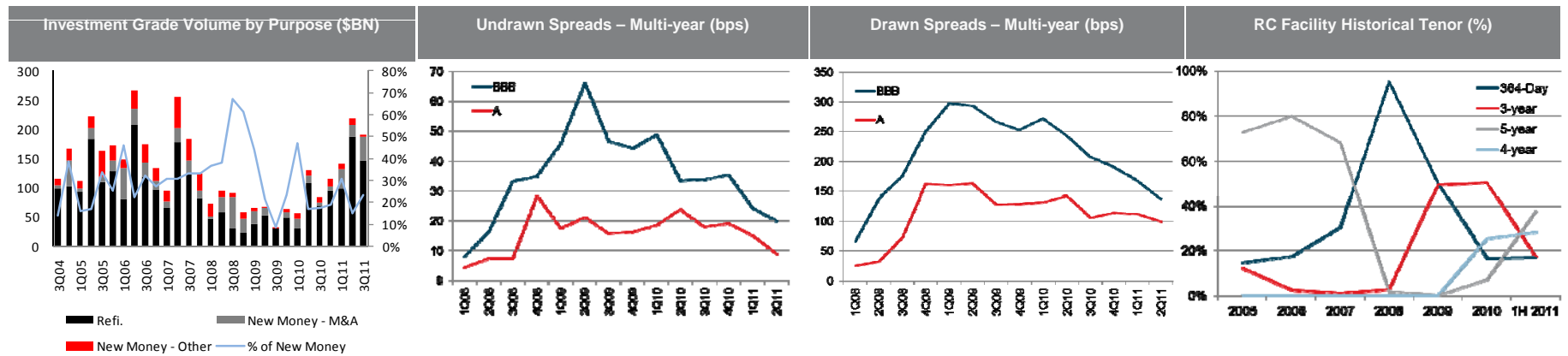
- The market will continue to remain bifurcated amidst macroeconomic concerns with institutions primarily supporting existing relationships and new relationships with attractive relationship returns, pricing and structure

Volume and Pricing

- This has resulting in a bifurcation of the market, causing spreads to widen for leveraged issuers while banks compete for higher-yielding, higher-quality credits
- While leveraged issuer volume has become more selective, investment grade issuers have flooded the market to refinance at favorable market conditions ahead of potential price increases, accounting for 84% of volume
- YTD 2011 US loan volume is \$1,346BN, up 44% from 1H 2011 volume of \$933BN and up 174% from 1H 2010 volume of \$491BN. Volume for August 2011 fell to \$12.45BN, the lowest level since July 2010.
- LBO yields are at their highest point this year at an average of almost 8% in September while pricing in the Investment Grade market plateaued for most of 3Q

- Investment Grade issuers will continue to seek to refinance ahead of 2012 maturities and while spreads remain significantly lower than 2010 levels
- Market choppiness will cause many leveraged issuers to adopt a wait-and-see attitude in order to avoid large price flexes
- The spread between leveraged and investment grade pricing will remain at current levels or tighten hinging on the outcome of the European debt crisis

U.S. Investment Grade Loan Market Overview



Graphic Sources: Thomson Reuters LPC, MUFG

YTD 2011 Overview

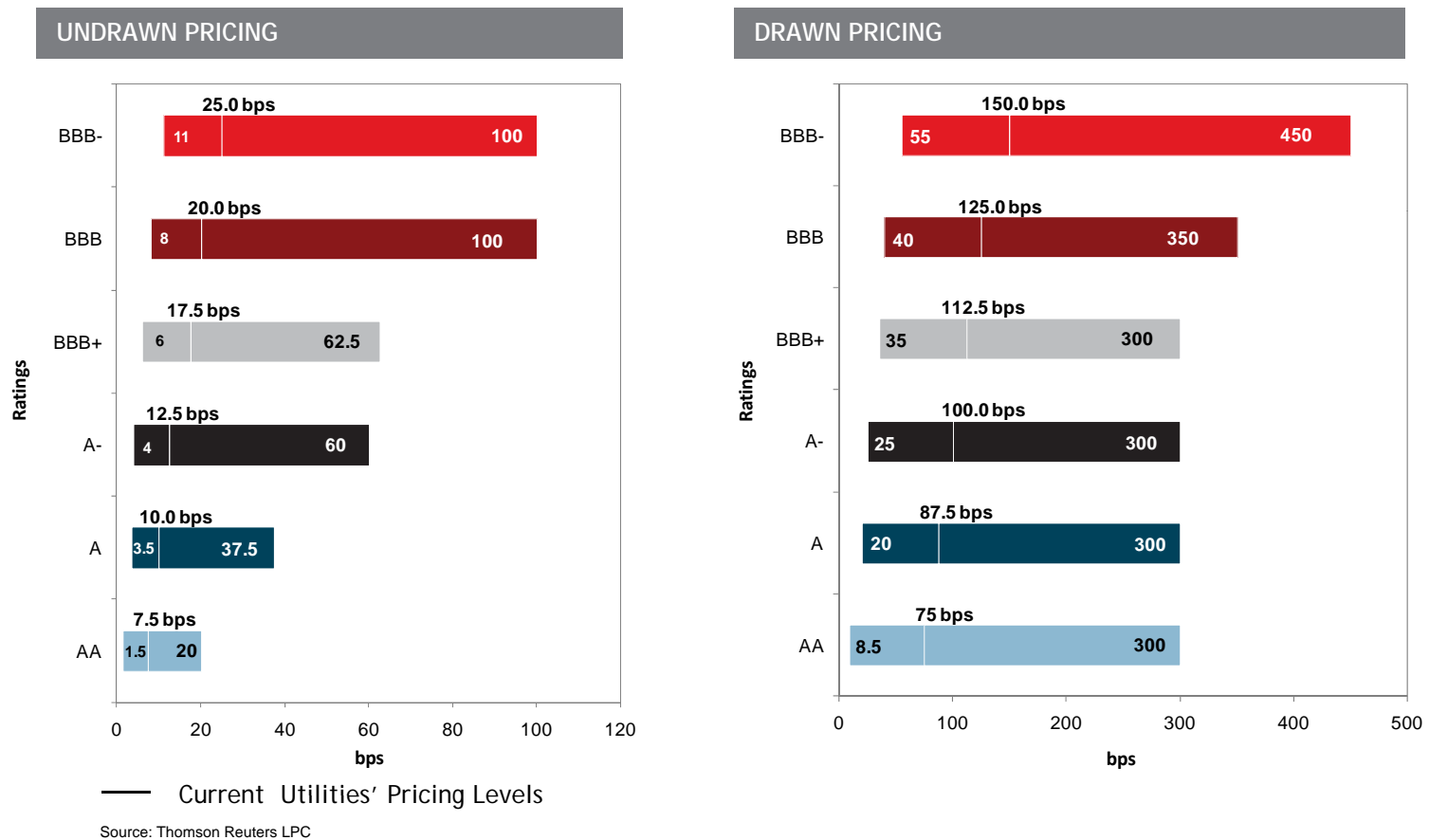
Near Term Outlook

Category	YTD 2011 Overview	Near Term Outlook
Volume	<ul style="list-style-type: none"> Driven by a wave of refinancing activity and event-driven financings, YTD US IG volume has reached \$567.8BN, exceeding the aggregate 2010 IG volume 	<ul style="list-style-type: none"> Volumes should remain at current levels in the near term due to a combination of refinancings and increased M&A activity 2010 deals continue to return to market with A&E transactions
Pricing	<ul style="list-style-type: none"> Pricing has compressed across the credit spectrum from the peak of 2009 as banks began to lend more aggressively 	<ul style="list-style-type: none"> Current market conditions are expected to stabilize pricing, with possible price increase risk
Structure	<ul style="list-style-type: none"> 5-year tenors have become a market standard. Approximately 45% of the transactions syndicated YTD2011 in the US have 5-year tenors 	<ul style="list-style-type: none"> As 5-year tenors have become standard, borrowers are focusing on covenant packages and structural flexibility
Syndicate	<ul style="list-style-type: none"> Syndicates continued to be more "top heavy" as the market moved in many cases to multiple bookrunners providing anchor commitments in advance of the launch to general syndication. Under current market conditions, this trend is expected to continue 	<ul style="list-style-type: none"> Issuers will continue to rationalize bank groups in an effort to increase the efficiency of wallet management Expect greater geographic diversification of bank groups, especially for European-bank heavy syndicates
Concerns & Considerations	<ul style="list-style-type: none"> Basel III and Dodd-Frank regulations are viewed as likely to impact banks' cost of capital, although pricing has yet to reflect such impact European debt concerns and a possible US economic slowdown have not materially affected the market 	<ul style="list-style-type: none"> The US downgrade and risk of economic slowdown, coupled with the European Sovereign Risk uncertainties, and Basel III concerns have already impacted the equity and high yield markets. Pricing risk in the IG-loan market may develop in near term, driven by European banks who face higher costs of funding

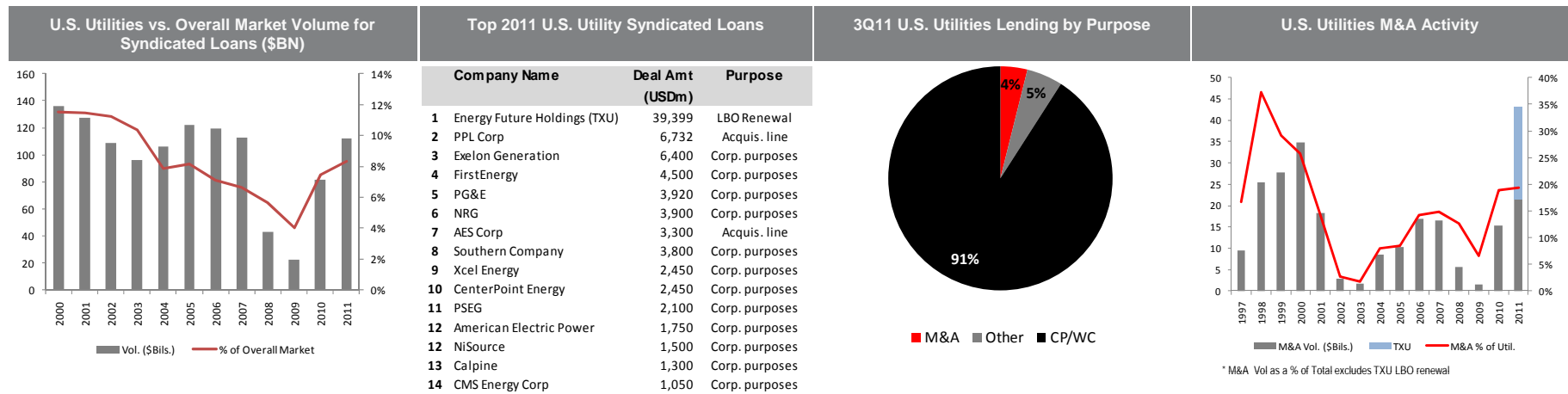
Range of Undrawn and Drawn Pricing from 2005 - 2011

RANGE OF UNDRAWN AND DRAWN PRICING FROM 2005 THROUGH 2011

- Pricing in the investment grade market has tightened considerably from mid-2009 highs, extending across various ratings and tenors



U.S. Utilities Bank Market Overview – YTD Overview



- | | |
|------------------------|---|
| Market Overview | <ul style="list-style-type: none"> After light summer volume in 3Q, issuers have returned to the market with a spate of refinancings and amendments in an rush to lock in 3-year lows in pricing Despite wider economic concerns, most transactions are over-subscribed, demonstrating continued depth in the markets and diversified syndicates |
| Issuance | <ul style="list-style-type: none"> YTD utility sector loan volume is \$112.5BN, exceeding 2010 total volume (\$87BN) Among notable deals were the extension of \$39BN in debt for Energy Future Holdings (f.m.a. TXU), the \$6.4BN RC refinancing for Exelon Corp, the £3.6BN bridge loan for PPL, the \$3.9BN RC/TLB refinancing for NRG Energy (MUFG-led) and the \$3.8BN RC for Southern Company |
| M&A | <ul style="list-style-type: none"> YTD M&A volume picked up due to the extension of TXU's 2007 LBO financing and acquisition lines for AES/DPL and PPL, all together accounting for 100% of M&A volume at \$32.7BN (35% of total utility volume) A number of other high profile acquisitions (AGL / Nicor, Duke Energy / Progress Energy, Exelon / Constellation, DPL / AES) were announced over the past 5 months Other smaller transactions have taken place to support buyers and sellers of portfolios of assets As access to capital improves, companies are re-assessing and executing on their strategic and growth initiatives, whether by merging to achieve scale, 'buying versus building' or shedding assets no longer core to their operations |
| Pricing | <ul style="list-style-type: none"> Drawn margins for A- and BBB rated issuers compressed to L+100 bps and L+112.5 bps respectively, while undrawn margins tightened to 12.5 bps and 17.5 bps respectively |
| Structure | <ul style="list-style-type: none"> 5-year tenors are now the norm Covenant packages remained standard and relatively unchanged |



Capabilities

Utility League Tables

- MUFG was ranked the #4 Mandated Lead Arranger by number of deals for U.S. Utility Loan Transactions in 1H 2011 and in 2010

1H 2011 Bookrunner Roles			
Rank	Bank	Lending Amount (US\$ Millions)	Deal Count
1	Bank of America Merrill Lynch	\$35,489	29
2	JP Morgan	25,010	28
3	Wells Fargo & Co	25,550	25
4	Mitsubishi UFJ Financial Group	19,008	17
5	Royal Bank of Scotland	22,745	17
6	Barclays Bank Plc	18,000	15
7	Citi	20,950	15
8	Scotia Capital	15,910	13
9	BNP Paribas SA	6,810	5
10	USBancorp	2,130	5
11	Credit Suisse AG	9,255	4
12	KeyBank	4,855	3
13	National Rural Utilities Cooperative Finance	1,050	3
14	Sun Trust Bank	1,735	3
15	Bank of New York Mellon	1,070	2
16	Credit Agricole Corporate & Investment Bank	1,350	2
17	Macquarie Bank Ltd	900	2
18	Morgan Stanley	2,350	2
19	Deutsche Bank AG	1,300	1
20	Goldman Sachs & Co	1,300	1

* League table excludes \$39BN refinancing of TXU

Source: Thomson Reuters

2010 Bookrunner Roles			
Rank	Bank	Lending Amount (US\$ Millions)	Deal Count
1	Bank of America Merrill Lynch	\$48,525	56
2	Wells Fargo	31,491	39
3	JP Morgan	27,341	37
4	Mitsubishi UFJ Financial Group	14,079	26
5	Royal Bank of Scotland	25,881	21
6	Barclays Bank	22,945	19
7	Scotia Capital	10,150	17
8	BNP Paribas	10,078	15
9	Citi	17,475	13
10	Credit Suisse	12,225	9
11	KeyBank	3,865	9
12	USBancorp	1,926	9
13	RBC Capital Markets	5,093	8
14	Toronto Dominion Bank	4,334	8
15	Morgan Stanley	6,200	7
16	Credit Agricole	4,616	7
17	PNC Bank	2,790	7
18	Deutsche Bank	9,375	6
19	SunTrust Bank	2,101	6
20	Societe Generale	3,925	4

Source: Thomson Reuters

Select MUFG-led Bank Financing Utility Transactions

<p>August 2011</p> <p>PEOPLES NATURAL GAS COMPANY</p>  <p>\$306,000,000 Senior Secured Credit Facilities</p> <p><i>The undersigned acts as Joint Lead Arranger and Syndication Agent</i></p> 	<p>July 2011</p> <p>AMERICAN ELECTRIC POWER</p>  <p>\$1,750,000,000 Senior Revolving Credit Facilities</p> <p><i>The undersigned acts as Joint Lead Arranger and Bookrunner</i></p> 	<p>July 2011</p> <p>NRG ENERGY</p>  <p>\$2,300,000,000 Senior Secured Revolving Credit Facility \$1,600,000,000 Term Loan B Facility</p> <p><i>The undersigned acts as Underwriter, Joint Lead Arranger and Bookrunner</i></p> 	<p>June 2011</p> <p>FIRST ENERGY</p>  <p>\$4,500,000,000 Senior Unsecured Revolving Credit Facilities</p> <p><i>The undersigned acts as Joint Lead Arranger and Bookrunner</i></p> 	<p>May 2011</p> <p>MDU</p> <p>MDU Resources Group, Inc.</p> <p>\$100,000,000 Senior Unsecured Revolving Credit Facilities</p> <p><i>The undersigned acted as Joint Lead Arranger and Syndication Agent</i></p> 
<p>April 2011</p> <p>SOUTHERN COMPANY</p>  <p>\$3,800,000,000 Senior Unsecured Revolving Credit Facilities</p> <p><i>The undersigned acted as Joint Lead Arranger and Bookrunner</i></p> 	<p>April 2011</p> <p>PSEG</p>  <p>\$2,100,000,000 Senior Secured Revolving Credit Facilities</p> <p><i>The undersigned acted as Joint Lead Arranger and Joint Documentation Agent</i></p> 	<p>March 2011</p> <p>DUQUESNE LIGHT HOLDINGS, INC</p>  <p>\$300,000,000 Senior Unsecured Revolving Credit Facilities \$300,000,000 Term Loan A Facility \$300,000,000 Term Loan B Facility</p> <p><i>The undersigned acted as Joint Lead Arranger and Co-Documentation Agent</i></p> 	<p>March 2011</p> <p>EXCELON</p>  <p>\$6,400,000,000 Senior Unsecured Revolving Credit Facility</p> <p><i>The undersigned acted as Joint Lead Arranger and Co-Documentation Agent</i></p> 	<p>March 2011</p> <p>CMS ENGERY</p>  <p>\$1,050,000,000 Senior Secured Revolving Credit Facilities</p> <p><i>The undersigned acted as Active Joint Lead Arranger and Co-Syndication Agent</i></p> 
<p>February 2011</p> <p>PINNACLE WEST CAPITAL CORPORATION</p>  <p>\$175,000,000 Senior Unsecured Term Loan Facility</p> <p><i>The undersigned acted as Lead Arranger and Administrative Agent</i></p> 	<p>February 2011</p> <p>AVISTA CORPORATION</p>  <p>\$400,000,000 Senior Secured Revolving Credit Facility</p> <p><i>The undersigned acted Joint Lead Arranger and Administrative Agent</i></p> 	<p>February 2011</p> <p>WESTAR</p>  <p>\$270,000,000 Senior Secured Revolving Credit Facility</p> <p><i>The undersigned acted as Joint Lead Arranger and Documentation Agent on the facility</i></p> 	<p>February 2011</p> <p>NISOURCE FINANCE CORP.</p>  <p>\$1,500,000,000 Senior Unsecured Revolving Credit Facility</p> <p><i>The undersigned acts as Joint Lead Arranger</i></p> 	<p>December 2010</p> <p>TEXAS-MEXICO POWER COMPANY</p>  <p>\$75,000,000 Revolving Credit Facility</p> <p><i>The undersigned acted as Joint Lead Arranger and Syndication Agent</i></p> 



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