

REDACTED

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-17 _____

DOCKET NO. UG-17 _____

EXH. MTT-2

MARK T. THIES

REPRESENTING AVISTA CORPORATION

AVISTA CORPORATION
Long-term Securities Credit Ratings

	Standard & Poor's	Moody's
Last Upgraded	March/August 2011 ⁽¹⁾	January 2014 ⁽²⁾
Credit Outlook	Stable	Stable
	A+	A1
	A	A2 First Mortgage Bonds Secured Medium-Term Notes
	A- First Mortgage Bonds Secured Medium-Term Notes	A3
	BBB+	Baa1 Avista Corp./Issuer rating
	BBB Avista Corp./Corporate credit rating	Baa2 Trust-Originated Preferred Securities
	BBB-	Baa3
INVESTMENT GRADE		
	BB+ Trust-Originated Preferred Securities	Ba1
	BB	Ba2
	BB-	Ba3

(1) The Company received an upgrade from Standard & Poor's to its Corporate credit rating in March 2011 and to its First Mortgage Bonds in August 2011.

(2) The Company received upgrades from Moody's Investors Service in January 2014. The upgrades were one level for First Mortgage Bonds and the Issuer Rating and two levels for Trust-Originated Preferred Securities.

AVISTA CORPORATION			
Proposed Cost of Capital			
May 1, 2018			
	<u>Proposed Structure</u>	<u>Cost</u>	<u>Component Cost</u>
Debt	50.0%	5.62%	2.81%
Common Equity	50.0%	9.90% ⁽¹⁾	4.95%
Total	<u>100.0%</u>		<u>7.76%</u>

⁽¹⁾ Proposed return on common equity

AVISTA CORPORATION
Cost of Long-Term Debt Detail - Washington
May 1, 2018

Line No.	Description	Coupon Rate	Maturity Date	Settlement Date	Principal Amount	Issuance Costs	SWAP Loss/(Gain)	Discount (Premium)	Loss/Reacq Expenses	Net Proceeds	Yield to Maturity	Principal Outstanding 5/1/2018
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(g)	(h)	(i)	(j)	(k)
1	FMBS - SERIES A	7.530%	5/5/2023	5/6/1993	5,500,000	42,712	-	-	963,011	4,494,277	9.359%	5,500,000
2	FMBS - SERIES A	7.540%	5/5/2023	5/7/1993	1,000,000	7,766	-	-	175,412	816,822	9.375%	1,000,000
3	FMBS - SERIES A	7.390%	5/11/2018	5/11/1993	7,000,000	54,364	-	-	1,227,883	5,717,753	9.287%	7,000,000
4	FMBS - SERIES A	7.450%	6/11/2018	6/9/1993	15,500,000	120,377	-	50,220	2,140,440	13,188,963	8.953%	15,500,000
5	FMBS - SERIES A	7.180%	8/11/2023	8/12/1993	7,000,000	54,364	-	-	-	6,945,636	7.244%	7,000,000
6	ADVANCE ASSOCIAT	2.688% ¹	6/1/2037	6/3/1997	40,000,000	1,296,086	-	-	(1,769,125)	40,473,039	2.640%	40,000,000
7	FMBS - SERIES C	6.370%	6/19/2028	6/19/1998	25,000,000	158,304	-	-	188,649	24,653,047	6.475%	25,000,000
8	5.45% SERIES	5.450%	12/1/2019	11/18/2004	90,000,000	1,192,681	-	239,400	7,244,918	81,323,001	6.462%	90,000,000
9	FMBS - 6.25%	6.250%	12/1/2035	11/17/2005	150,000,000	1,812,935	(4,445,000)	367,500	1,700,376	150,564,188	6.222%	150,000,000
10	FMBS - 5.70%	5.700%	7/1/2037	12/15/2006	150,000,000	4,702,304	3,738,000	222,000	-	141,337,696	6.120%	150,000,000
11	5.95% SERIES	5.950%	6/1/2018	4/3/2008	250,000,000	2,246,419	-	835,000	-	230,523,581	7.034%	250,000,000
12	5.125% SERIES	5.125%	4/1/2022	9/22/2009	250,000,000	2,284,788	(10,776,222)	575,000	2,875,817	255,040,618	4.907%	250,000,000
13	3.89% SERIES	3.890%	12/20/2020	12/20/2010	52,000,000	385,129	-	-	6,273,664	45,341,207	5.578%	52,000,000
14	5.55% SERIES	5.550%	12/20/2040	12/20/2010	35,000,000	258,834	-	-	5,263,822	29,477,345	6.788%	35,000,000
15	4.45% SERIES	4.450%	12/14/2041	12/14/2011	85,000,000	692,833	10,557,000	-	-	73,750,167	5.340%	85,000,000
16	4.23% SERIES	4.230%	11/29/2047	11/30/2012	80,000,000	730,833	18,546,870	-	105,020	60,617,277	5.868%	80,000,000
17	4.11% SERIES	4.110%	12/1/2044	12/18/2014	60,000,000	428,205	(5,429,000)	-	-	65,000,795	3.650%	60,000,000
18	4.37% SERIES	4.370%	12/1/2045	12/16/2015	100,000,000	590,761	9,383,299	-	-	90,025,940	5.017%	100,000,000
19	3.54% SERIES	3.540%	12/1/2051	12/15/2016	175,000,000	1,001,382	53,966,197	-	-	120,032,421	5.596%	175,000,000
20	Forecasted issuance	4.554% ⁷	9/30/2047	9/30/2017	80,000,000 ⁴	800,000 ⁵	-	-	-	79,199,995	4.616%	80,000,000
21												1,658,000,000
22												
23	Repurchase	2 8.85%	6/5/2028	5/24/2002	10,000,000				(2,228,153)	12,228,153	6.981%	
24	Repurchase	2 8.83%	6/5/2028	4/3/2003	10,000,000				(450,769)	10,450,769	8.395%	
25	Repurchase	2 8.83%	12/29/2022	3/11/2003	5,000,000				92,363	4,907,637	9.029%	
26	Repurchase	2 5.72%	3/1/2034	12/30/2009	17,000,000				1,916,297	15,083,703	6.661%	
27	Repurchase	2 6.55%	10/1/2032	12/31/2008	66,700,000				3,709,174	62,990,826	7.034%	
28												1,658,000,000
29		6 Short Term-Debt			100,000,000						3.264%	100,000,000
30												1,758,000,000

WASHINGTON'S TOTAL DEBT OUTSTANDING AND COST OF DEBT AT May 1, 2018

Adjusted Weighted Average Cost of Debt 5.62%

¹ Average Monthly Average Rate over a twelve month period
² Coupon Rate at the time of repurchase
³ Calculated using the Internal Rate of Return method

AVISTA CORPORATION
 Cost of Short-Term Debt Detail
 April 30, 2018

Exh. MTT-2

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Avg of
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
Short-term Borrowings - Month End Balances	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Number of Days in Month		31	30	31	31	30	31	30	31	31	28	31	30	365
Avg Monthly Forecasted Borrowing Rate*		2.22%	2.22%	2.32%	2.32%	2.32%	2.50%	2.50%	2.50%	2.64%	2.64%	2.64%	2.71%	
Credit Facility Interest Expense	\$ 191,167	\$ 185,000	\$ 199,778	\$ 199,778	\$ 193,333	\$ 215,278	\$ 208,333	\$ 215,278	\$ 227,333	\$ 205,333	\$ 227,333	\$ 225,833	\$ 225,833	\$ 2,493,778
Credit Facility Fees	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	336,000
Credit Facility Amort of up-front costs	36,194	36,194	36,194	36,194	36,194	36,194	36,194	36,194	36,194	36,194	36,194	36,194	36,194	434,328
Total S/T Debt Expense	\$ 255,361	\$ 249,194	\$ 263,972	\$ 263,972	\$ 257,527	\$ 279,472	\$ 272,527	\$ 279,472	\$ 291,527	\$ 269,527	\$ 291,527	\$ 290,027	\$ 290,027	\$ 3,264,106

Total Borrowing Cost \$ 3,264,106
Total Average Borrowings \$100,000,000
Cost Rate 3.26%

*Forecasted Rates are based on forward rates from Thomson Reuters analysis tools plus a spread pursuant to the credit facility agreement.

AVISTA CORPORATION
 Cost of Long-Term Variable Rate Debt Detail
 April 30, 2018

1		Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Avg of
2	(a)	(b)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(o)
3	Trust Preferred*	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$ 40,000,000
4															
5	Number of Days in Month	30	31	30	31	31	30	31	30	31	31	28	31	30	
6	Forecasted Rates Trust Preferred**	2.2325%	2.2325%	2.2325%	2.3544%	2.3544%	2.3544%	2.4680%	2.4680%	2.4680%	2.6422%	2.6422%	2.6422%	2.7646%	
7	Trust Preferred Interest Expense	\$ 74,417	\$ 76,897	\$ 74,417	\$ 81,096	\$ 81,096	\$ 78,480	\$ 85,009	\$ 82,267	\$ 85,009	\$ 91,009	\$ 82,202	\$ 91,009	\$ 92,153	\$ 1,075,060
8															
9															

10	Description	Coupon Rate	Maturity Date	Settlement Date	Principal Amount	Issuance Costs	Loss/Reacq Expenses	Net Proceeds	Yield to Maturity	Outstanding 4/30/2018	Effective Cost
11	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
12	Trust Preferred	2.688%	6/1/2037	6/3/1997	\$ 40,000,000	\$ 1,296,086	\$ (1,769,125)	\$ 40,473,039	2.640%	\$ 40,000,000	\$ 1,055,838
13											
14											

15 *Original issue principal amount was \$50 million. The Company repurchased \$10 million of the securities outstanding.
 16 **Forecasted Rates are based on forward rates from Thomson Reuters analysis tools plus a spread pursuant to the debt agreement.

AVISTA CORPORATION
Capital Structure Reconciliation - Excluding Short Term Debt

(dollars in thousands)

	10-K 12/31/2016	10-K cap structure % 12/31/2016	Adjustments	Adjusted Regulatory Balance 12/31/2016	Adjusted Cap Structure % 12/31/2016	Activity	Adjusted Regulatory Balance 5/1/2018	Adjusted Cap Structure % 5/01/2018	Activity
Short-term borrowings	120,000		(120,000) a						
Long-term Debt									
Long-term debt	\$ 1,678,717		\$ (140,717) b	\$ 1,538,000		\$ 80,000 f	\$ 1,618,000		
Current portion of long-term debt and capital leases	3,287		(3,287) c	-			-		
Debt to affiliated trust	51,547		(11,547) d	40,000			40,000		
Total long-term debt	<u>\$ 1,733,551</u>	<u>52.9%</u>	<u>\$ (155,551)</u>	<u>\$ 1,578,000</u>	<u>50.1%</u>	<u>\$ 80,000</u>	<u>\$ 1,658,000</u>	<u>49.38%</u>	<u>\$ -</u>
Equity									
Total Avista Corporation stockholders' equity	<u>\$ 1,648,727</u>	<u>47.1%</u>	<u>\$ (77,796) e</u>	<u>\$ 1,570,931</u>	<u>49.9%</u>	<u>\$ 128,647 g</u>	<u>\$ 1,699,578</u>	<u>50.62%</u>	

a Adjusted to remove short term debt balances.

b These adjustments are made to reflect our actual principal amount outstanding. We exclude amounts related to unamortized debt discount, and unamortized debt issuance costs and short-term debt reclassified as long-term debt. The amounts related to settled interest rate swaps, unamortized debt discount, and unamortized debt issuance costs are included as a cost of debt. Additionally, amounts related to capital leases and subsidiary long-term debt are excluded from Avista Utilities long-term debt.

Long Term Debt Adjustments (dollars in thousands):

AEL&P Long-Term Debt	\$ (75,000)
AERC Long-Term Debt	\$ (15,000)
Capital Lease Obligations	\$ (65,435)
Unamortized Debt Discounts	\$ 792
Unamortized long-term debt issuance costs	\$ 10,639
Unsecured short-term loan to be refinanced on a long-term basis	\$ -
Committed line of credit to be refinanced on a long-term basis	\$ -
Current portion of long-term debt and capital leases	\$ 3,287
Total	<u>\$ (140,717)</u>

c Current portion of capital leases are included as debt in the 10-K but consistent with past practice we are not included for regulatory cap structure

d We hold \$11.547 million of these securities. The \$40 million adjusted balance relates to the current outstanding balance to third party investors.

e The numbers provided in the 10-K do not include capital stock expense; in order to recover the costs incurred for issuing equity and accumulated other comprehensive loss; in order to reflect our actual equity balance. The investment in AERC is included as equity in the 10-K and is adjusted out for regulatory cap structure

Equity Adjustments (dollars in thousands):	<u>12/31/2016</u>
Capital Stock Expense	\$ 15,757
Accumulated other comprehensive loss	\$ 7,568
Investment in AERC	\$ (101,121)
Total	<u>\$ (77,796)</u>

f Forecasted issuance of \$80 million in 2017.

g Forecasted Equity Activity (dollars in thousands): 5/1/2018

Confidential per WAC 480-07-160

AVISTA CORPORATION

Capital Structure Reconciliation - Including Short Term Debt

(dollars in thousands)

	10-K 12/31/2016	10-K cap structure % 12/31/2016	Adjustments	Adjusted Regulatory Balance 12/31/2016	Adjusted Cap Structure % 12/31/2016	Activity	Adjusted Regulatory Balance 5/1/2018	Adjusted Cap Structure % 5/01/2018	Activity
Short-term borrowings	120,000		(20,000) a	100,000			100,000		
Long-term Debt									
Long-term debt	\$ 1,678,717		\$ (140,717) b	\$ 1,538,000		\$ 80,000 f	\$ 1,618,000		
Current portion of long-term debt and capital leases	3,287		(3,287) c	-			-		
Debt to affiliated trust	51,547		(11,547) d	40,000			40,000		
Total long-term debt	<u>\$ 1,733,551</u>	<u>52.9%</u>	<u>\$ (155,551)</u>	<u>\$ 1,678,000</u>	<u>51.6%</u>	<u>\$ 80,000</u>	<u>\$ 1,758,000</u>	<u>50.8%</u>	<u>\$ -</u>
Equity									
Total Avista Corporation stockholders' equity	<u>\$ 1,648,727</u>	<u>47.1%</u>	<u>\$ (77,796) e</u>	<u>\$ 1,570,931</u>	<u>48.4%</u>	<u>\$ 128,647</u>	<u>\$ 1,699,578</u>	<u>49.2%</u>	

a Adjusted to reflect short term debt balances on a monthly average.

b These adjustments are made to reflect our actual principal amount outstanding. We exclude amounts related to unamortized debt discount, and unamortized debt issuance costs and short-term debt reclassified as long-term debt. The amounts related to settled interest rate swaps, unamortized debt discount, and unamortized debt issuance costs are included as a cost of debt. Additionally, amounts related to capital leases and subsidiary long-term debt are excluded from Avista Utilities long-term debt.

Long Term Debt Adjustments (dollars in thousands):

AEL&P Long-Term Debt	\$ (75,000)
AERC Long-Term Debt	\$ (15,000)
Capital Lease Obligations	\$ (65,435)
Unamortized Debt Discounts	\$ 792
Unamortized long-term debt issuance costs	\$ 10,639
Unsecured short-term loan to be refinanced on a long-term basis	\$ -
Committed line of credit to be refinanced on a long-term basis	\$ -
Current portion of long-term debt and capital leases	\$ 3,287
Total	<u>\$ (140,717)</u>

c Current portion of capital leases are included as debt in the 10-K but consistent with past practice we are not included for regulatory cap structure

d We hold \$11.547 million of these securities. The \$40 million adjusted balance relates to the current outstanding balance to third party investors.

e The numbers provided in the 10-K do not include capital stock expense; in order to recover the costs incurred for issuing equity and accumulated other comprehensive loss; in order to reflect our actual equity balance. The investment in AERC is included as equity in the 10-K and is adjusted out for regulatory cap structure

Equity Adjustments (dollars in thousands):	<u>12/31/2016</u>
Capital Stock Expense	\$ 15,757
Accumulated other comprehensive loss	\$ 7,568
Investment in AERC	\$ (101,121)
Total	<u>\$ (77,796)</u>

f Forecasted issuance of \$80 million in 2017.

g Forecasted issuance of \$250 million and \$130 million and a maturity of \$272.5 million in 2018.

h Forecasted Equity Activity (dollars in thousands): 5/1/2018

Confidential pwer WAC 480-07-160