

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-11 _____

DOCKET NO. UG-11 _____

EXHIBIT NO. ____ (MTT-2)

MARK T. THIES

REPRESENTING AVISTA CORPORATION

AVISTA CORPORATION
Long-term Securities Credit Ratings

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

AVISTA CORPORATION				
Cost of Capital				
December 31, 2011				
	Amount	Percent of Total Capital	Cost	Component
Total Debt ⁽¹⁾	\$ 1,304,517,375	51.96%	5.76%	2.99%
Common Equity	1,205,989,116	48.04%	10.90% ⁽²⁾	5.24%
Total	\$ 2,510,506,491	100.00%		8.23%

AVISTA CORPORATION				
Embedded Cost of Capital				
December 31, 2010				
	Amount	Percent of Total Capital	Cost	Component
Total Debt ⁽¹⁾	\$ 1,215,191,699	51.51%	5.61%	2.89%
Common Equity	1,143,970,128	48.49%	10.20%	4.95%
TOTAL	\$ 2,359,161,827	100.00%		7.84%

⁽¹⁾ Includes short term debt

⁽²⁾ Proposed Return on Common Equity - See Avera testimony

Assumptions:

- A Started with 12-31-2010 actuals
- B Forecasted through 12-31-2011
- C The equity and debt numbers come from Dec10 model
- D Equity is adjusted for Other Comprehensive Income and Capital Stock Expense (\$16.2 as of December 31, 2011 and \$16.1 million as of December 31, 2010)
- E Planned issuance of \$22 million of additional equity during 2011

AVISTA CORPORATION
 Cost of Long-Term Debt Detail
 December 31, 2011

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 12-31-2011	Effective Cost	Line No.
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(g)	(h)	(i)	(j)	(k)	(l)		
1	FMBS - SERIES A	7.530%	05-05-2023	05-06-1993	5,500,000	42,712	-	-	963,011	4,494,277	9.359%	5,500,000	514,744	1
2	FMBS - SERIES A	7.540%	05-05-2023	05-07-1993	1,000,000	7,766	-	-	175,412	816,822	9.375%	1,000,000	93,747	2
3	FMBS - SERIES A	7.370%	05-10-2012	05-10-1993	7,000,000	49,114	-	-	1,227,883	5,723,003	9.455%	7,000,000	661,877	3
4	FMBS - SERIES A	7.390%	05-11-2018	05-11-1993	7,000,000	54,364	-	-	1,227,883	5,717,753	9.287%	7,000,000	650,114	4
5	FMBS - SERIES A	7.450%	06-11-2018	06-09-1993	15,500,000	120,377	-	50,220	2,140,440	13,188,963	8.953%	15,500,000	1,387,715	5
6	FMBS - SERIES A	7.180%	08-11-2023	08-12-1993	7,000,000	54,364	-	-	-	6,945,636	7.244%	7,000,000	507,064	6
7	KETTLE FALLS P C	6.000%	12-01-2023	07-29-1993	4,100,000	115,355	-	20,500	146,393	3,817,752	6.523%	4,100,000	267,441	7
8	TOPrS	1.725%	06-01-2037	06-03-1997	40,000,000	1,296,086	-	-	(1,769,125)	40,473,039	1.685%	40,000,000	673,834	8
9	SERIES C SET UP	N/A	06-15-2013	06-15-1998	-	666,169	-	-	-	-	-	-	44,411	9
10	FMBS - 6.37%	6.370%	06-19-2028	06-19-1998	25,000,000	158,304	-	-	188,649	24,653,047	6.475%	25,000,000	1,618,863	10
11	FMBS - 5.45%	5.450%	12-01-2019	11-18-2004	90,000,000	1,192,681	-	239,400	-	88,567,919	5.608%	90,000,000	5,047,001	11
12	FMBS - 6.25%	6.250%	12-01-2035	11-17-2005	150,000,000	1,812,935	(4,445,000)	900,500	1,700,376	150,031,188	6.248%	150,000,000	9,372,302	12
13	FMBS - 5.70%	5.700%	07-01-2037	12-15-2006	150,000,000	4,702,304	3,738,000	222,000	483,583	140,854,113	6.144%	150,000,000	9,216,608	13
14	FMBS - 5.95%	5.950%	06-01-2018	04-02-2008	250,000,000	2,246,419	16,395,000	835,000	-	230,523,581	7.034%	250,000,000	17,585,352	14
15	FMBS - 5.125%	5.125%	04-01-2022	09-22-2009	250,000,000	2,284,788	(10,776,222)	575,000	2,904,144	255,012,290	4.909%	250,000,000	12,271,632	15
16	FMBS - 1.68%	1.680%	12-30-2013	12-30-2010	50,000,000	296,372	-	-	-	49,703,628	1.884%	50,000,000	942,073	16
17	FMBS - 3.89%	3.890%	12-20-2020	12-20-2010	52,000,000	375,867	-	-	6,273,664	45,350,468	5.575%	52,000,000	2,899,256	17
18	FMBS - 5.55%	5.550%	12-20-2040	12-20-2010	35,000,000	252,988	-	-	5,263,822	29,483,191	6.787%	35,000,000	2,375,362	18
19	PCRB \$66.7 million	5.750%	10-01-2032	06-30-2011	66,700,000	667,000	5	-	3,328,417	62,704,583	6.263%	66,700,000	4,177,227	19
20	PCRB \$17 million	5.800%	03-01-2034	06-30-2011	17,000,000	170,000	5	-	1,864,244	14,965,756	6.846%	17,000,000	1,163,787	20
21											5.845%	1,222,800,000	71,470,412	21
22														22
23	Repurchase	7	8.85%	06-05-2028	05-24-2002	10,000,000			(2,228,153)	12,228,153	6.981%		(188,084)	23
24	Repurchase	7	8.83%	06-05-2028	04-03-2003	10,000,000			(407,637)	10,407,637	8.435%		(39,616)	24
25	Repurchase	7	8.83%	12-29-2022	03-11-2003	5,000,000			92,363	4,907,637	9.029%		10,341	25
26	Repurchase	7	8.37%	09-10-2012	07-07-2003	12,000,000			357,674	11,642,326	8.848%		59,291	26
27												1,222,800,000	71,312,344	27
28														28
29	§ Short Term-Debt				81,717,375	9					4.693%	81,717,375	3,835,037	29
30	WA TOTAL DEBT OUTSTANDING AND COST OF DEBT AT December 31, 2011											<u>1,304,517,375</u>	<u>75,147,381</u>	30
31														31
32										Adjusted Weighted Average Cost of Debt			5.761%	32

33 1 Var. Rate Long-Term Debt
 34 2 L/T variable interest rate information comes from Exhibit No. MTT-2 Page 4
 35 3 These are projected issuances, whose maturity dates and coupon rates may change depending on market conditions.
 36 4 Coupon Rates are based on the DEC10 forecast
 37 5 Projected Issuance Cost of 1% of the principal amount
 38 6 These are the estimated unamortized expenses on reacquired debt at the forecasted time of issuance in June 2011
 39 7 The coupon rate used is the cost of debt at the time of the repurchases
 40 8 The amounts are calculated using the IRR function
 41 9 S/T variable interest rate information comes from Exhibit No. MTT-2 Page 5
 42 10 Short term debt outstanding is base on a monthly average monthly balance over a thirteen month period.
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AVISTA CORPORATION
 Cost of Long-Term Variable Rate Debt Detail
 December 31, 2011

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Avg of
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
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
Number of Days in Month		31	28	31	30	31	30	31	31	30	31	30	31	
Forecasted Rates Trust Preferred*		1.450%	1.450%	1.450%	1.575%	1.575%	1.575%	1.825%	1.825%	1.825%	1.950%	1.950%	1.950%	
Trust Preferred Interest Expense		49,944	45,111	49,944	52,500	54,250	52,500	62,861	62,861	60,833	67,167	65,000	67,167	690,139
									Average borrowing rate used in the calculation of the effective costs below					1.73%
Description	Coupon Rate	Maturity Date	Settlement Date	Principal Amount	Issuance Costs	Loss/Reacq Expenses	Net Proceeds	Yield to Maturity	Outstanding 12-31-2011	Effective Cost				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)				
Trust Preferred	1.73%	06-01-2037	06-03-1997	40,000,000	1,296,086	-1,769,125	40,473,039	1.685%	40,000,000	673,834				

*Forecasted Rates are based on the DEC10 forecast

AVISTA CORPORATION
 Cost of Short-Term Debt Detail
 December 31, 2011

	Dec-10 (B)	Jan-11 (C)	Feb-11 (D)	Mar-11 (E)	Apr-11 (F)	May-11 (G)	Jun-11 (H)	Jul-11 (I)	Aug-11 (J)	Sep-11 (K)	Oct-11 (L)	Nov-11 (M)	Dec-11 (N)	Avg of (O)	
1															
2	(A)														
3	Monthly Credit Facility Borrowings	\$110,000,000	\$92,144,000	\$67,413,000	\$73,029,000	\$95,600,000	\$87,094,000	\$42,252,000	\$45,347,000	\$46,651,000	\$91,250,000	\$100,865,000	\$108,622,000	\$150,683,000	81,717,375
4															
5	Number of Days in Month		31	28	31	30	31	30	31	31	30	31	30	31	365
6	Avg Monthly Forecasted Borrowing Rate		2.000%	2.000%	2.000%	2.125%	2.125%	2.125%	2.375%	2.375%	2.375%	2.500%	2.500%	2.500%	
7															
8	Credit Facility Interest Expense*		174,068	124,100	120,936	149,307	167,152	114,525	89,576	94,074	136,465	206,790	218,216	279,113	1,874,323
9	Credit Facility Fees*	\$	83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 83,333	\$ 1,000,000
10	Letter of Credit Fees*	\$	40,111	\$ 33,981	\$ 36,744	\$ 33,292	\$ 27,960	\$ 26,917	\$ 26,643	\$ 26,204	\$ 25,358	\$ 29,278	\$ 30,175	\$ 30,303	\$ 366,964
11	Credit Facility Amort of up-front costs		49,479	49,479	49,479	49,479	49,479	49,479	49,479	49,479	49,479	49,479	49,479	49,479	593,750
12	Total S/T Debt Expense	\$	346,992	\$ 290,894	\$ 290,492	\$ 315,411	\$ 327,925	\$ 274,254	\$ 249,031	\$ 253,090	\$ 294,635	\$ 368,881	\$ 381,203	\$ 442,228	\$ 3,835,037

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15 Monthly borrowings, rates, and fees are based on the DEC10 forecast

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Total Short Term Cost Rate	4.69%
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