

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-09 _____

DOCKET NO. UG-09 _____

EXHIBIT NO. ____ (MTT-2)

MARK T. THIES

REPRESENTING AVISTA CORPORATION

AVISTA CORPORATION
 Long-term Securities Credit Ratings

	Standard & Poor's	Moody's	Fitch
Last Reviewed	February 2008	December 2007	August 2007
Credit Outlook	Stable	Stable	Positive
A+	A1	A+	
A	A2	A	
A-	A3	A-	
BBB+ First Mortgage Bonds Secured Medium-Term Notes	Baa1	BBB+	
BBB	Baa2 First Mortgage Bonds Secured Medium-Term Notes	BBB	First Mortgage Bonds Secured Medium-Term Notes
BBB- Avista Corp./Corporate rating Senior Corporate Notes 9.75%	Baa3 Avista Corp./Issuer rating Senior Corporate Notes 9.75%	BBB-	Senior Corporate Notes 9.75%
INVESTMENT GRADE			
BB+	Ba1 Trust-Originated Preferred Securities	BB+	Avista Corp./Issuer rating Trust-Originated Preferred Securities
BB	Ba2 Trust-Originated Preferred Securities	BB	
BB-	Ba3	BB-	

AVISTA CORPORATION
Capital Structure and Overall Rate of Return

PRO FORMA

Cost of Capital as of December 31, 2009	<u>Amount</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Component</u>
Total Debt (1)	\$1,266,901,042	52.49%	6.57%	3.45%
Common Equity	<u>1,146,750,909</u>	<u>47.51%</u>	11.00% (2)	<u>5.23%</u>
TOTAL	<u><u>\$2,413,651,951</u></u>	<u><u>100.00%</u></u>		<u><u>8.68%</u></u>

EMBEDDED

Cost of Capital as of September 30, 2008	<u>Amount</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Component</u>
Total Debt (1)	\$1,041,414,167	50.90%	6.51%	3.31%
Common Equity	<u>1,004,427,887</u>	<u>49.10%</u>	10.20%	<u>5.01%</u>
TOTAL	<u><u>\$2,045,842,054</u></u>	<u><u>100.00%</u></u>		<u><u>8.32%</u></u>

(1) Includes short term debt

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

See supporting documentation

All costs are shown before tax

Assumptions

1. Started with 9-30-2008 actual
2. Proforma through 12-31-2009
3. The forecasted equity and debt numbers come from forecast SEPT18 model run
4. Equity is adjusted for Other Comprehensive Income and capital stock expense of \$28,595,370
5. Forecasted issuance of \$94.2 million of additional equity through different company programs

AVISTA CORPORATION
Cost of Long-Term Debt Detail
December 31, 2009

Line No.	Description (a)	Coupon Rate (b)	Maturity Date (c)	Settlement Date (d)	Principal Amount (e)	Issuance Costs (f)	Loss/Reacq Expenses (g)	Net Proceeds (h)	Yield to Maturity (i)	Principal Outstanding 12-31-2009 (j)	Effective Cost (k)	Line No.
1	SMTN Series A	Series Costs	08-31-2010	05-01-1993	373,693						21,663	1
2	SMTN Series A	6.67%	07-12-2010	07-12-1993	5,000,000	35,081	690,464	4,274,455	8.275%	5,000,000	413,765	2
3	SMTN Series A	7.18%	08-11-2023	08-12-1993	7,000,000	54,364		6,945,636	7.244%	7,000,000	507,064	3
4	SMTN Series A	7.37%	05-10-2012	05-10-1993	7,000,000	49,114	1,227,883	5,723,003	9.455%	7,000,000	661,877	4
5	SMTN Series A	7.39%	05-11-2018	05-11-1993	7,000,000	54,364	1,227,883	5,717,753	9.287%	7,000,000	650,114	5
6	SMTN Series A	7.45%	06-11-2018	06-09-1993	15,500,000	170,597	2,140,440	13,188,963	8.953%	15,500,000	1,387,715	6
7	SMTN Series A	7.53%	05-05-2023	05-06-1993	5,500,000	42,712	963,011	4,494,277	9.359%	5,500,000	514,744	7
8	SMTN Series A	7.54%	05-05-2023	05-07-1993	1,000,000	7,766	175,412	816,822	9.375%	1,000,000	93,747	8
9	SMTN Series B	6.90%	07-01-2010	06-09-1995	5,000,000	37,944		4,962,056	6.982%	5,000,000	349,077	9
10	5.70% FMB's	5.70%	07-01-2037	12-15-2006	150,000,000	8,663,162		141,336,838	6.120%	150,000,000	9,179,740	10
11	6.125% FMB's	6.13%	09-01-2013	09-08-2003	45,000,000	1,055,140	815,824	43,129,036	6.703%	45,000,000	3,016,248	11
12	5.45% FMB's	5.45%	12-01-2019	11-18-2004	90,000,000	1,432,081	7,244,895	81,323,024	6.462%	90,000,000	5,815,418	12
13	6.25% FMB's	6.25%	12-01-2035	11-17-2005	150,000,000	-2,137,016	1,700,371	150,436,645	6.228%	150,000,000	9,342,301	13
14	5.95% FMB's	5.95%	06-01-2018	04-02-2008	250,000,000	19,475,000		230,525,000	7.034%	250,000,000	17,585,144	14
15	7.25% FMB's	7.25%	12-16-2013	12-16-2008	30,000,000	400,000		29,600,000	7.575%	30,000,000	2,272,593	15
16	PCB's Kettle Falls	6.00%	12-01-2023	07-29-1993	4,100,000	135,855	146,393	3,817,752	6.523%	4,100,000	267,441	16
17	Forecasted	6.75%	10-01-2032	03-31-2009	66,700,000	1,334,000	7,486,134	57,899,866	8.004%	66,700,000	5,439,004	17
18	MTN's Series C	Series Costs	06-15-2013	06-15-1998	650,179						43,345	18
19	MTN's Series C	6.37%	06-19-2028	06-19-1998	25,000,000	158,304	188,649	24,653,047	6.475%	25,000,000	1,618,863	19
20	MTN's Series C	8.02%	10-26-2010	10-26-1999	25,000,000	161,287	707,527	24,131,186	8.513%	25,000,000	2,128,207	20
21	Forecasted	8.25%	09-30-2019	09-30-2009	150,000,000	1,500,000		148,500,000	8.400%	150,000,000	12,599,670	21
22												22
23												23
24												24
25	Repurchase	1	06-05-2028	05-24-2002	10,000,000		-2,228,153	12,228,153	6.981%		-188,085	25
26	Repurchase	1	06-05-2028	04-03-2003	10,000,000		-450,769	10,450,769	8.395%		-43,660	26
27	Repurchase	1	12-29-2022	03-11-2003	5,000,000		92,363	4,907,637	9.029%		10,340	27
28	Repurchase	1	09-10-2012	07-07-2003	12,000,000		357,674	11,642,326	8.848%		64,258	28
29											-157,147	29
30												30
31	3 Var. Rate Long-Term Debt				40,000,000	1,296,086	-2,500,000	40,000,000	2.845%	40,000,000	1,137,813	31
32	3 Var. Rate Long-Term Debt				17,000,000	255,000	2,332,632	17,000,000	2.928%	17,000,000	497,697	32
33												33
34												34
35												35
36	4 Short Term-Debt				171,101,042				4.561%	171,101,042	7,804,240	36
37												37
38												38
					TOTAL LONG-TERM DEBT			872,975,360	6.880%	1,095,800,000	75,386,105	34
					TOTAL PRO FORMA COST OF DEBT 12/31/2009					171,101,042	7,804,240	36
								Cost	6.566%	1,266,901,042	83,190,345	37

1 The coupon rate used is the cost of debt at the time of the repurchases

2 The amounts are calculated using the IRR function

3 Information pulls from the - Var. Rate Long-Term tab

4 Information pulls from the - Short-Term tab

AVISTA CORPORATION
Proforma Cost of Long-Term Variable Rate
December 31, 2009

	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Avg of (o)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(l)	(k)	(l)	(m)	(n)	(o)
1														
2														
3	\$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	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	17,000,000
5	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000	\$57,000,000
6														
7	Number of Days in Month	31	28	31	31	30	31	30	31	31	30	31	30	31
8	Forecasted Rates Trust Preferred	3.06%	3.06%	3.13%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%
9	Trust Preferred Interest Expense	105,400	95,200	107,811	96,000	99,200	96,000	99,200	99,200	96,000	99,200	96,000	99,200	1,188,411
10	Total Interest Expense	105,400	95,200	107,811	96,000	99,200	96,000	99,200	99,200	96,000	99,200	96,000	99,200	1,188,411
11	Forecasted Monthly Borrowing Rate	3.06%	3.06%	3.13%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%	2.88%
12														
13														
14	Number of Days in Month	31	28	31	30	31	30	31	31	30	31	30	31	31
15	Forecasted Rates PCB's	2.25%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
16	PCB's	32,938	29,750	29,278	28,333	29,278	28,333	29,278	29,278	28,333	29,278	28,333	29,278	351,688
17	Total Interest Expense	32,938	29,750	29,278	28,333	29,278	28,333	29,278	29,278	28,333	29,278	28,333	29,278	351,688
18	Forecasted Monthly Borrowing Rate	2.25%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
19														
20														
21														
22														
23														
24														
25														
26														
27	Trust Preferred	2.97%	06-01-2037	06-03-1997	40,000,000	1,296,086	41,203,914	2.845%	40,000,000	1,137,813				
28	PCB's	2.07%	03-01-2034	12-31-2008	17,000,000	255,000	14,412,368	2.928%	17,000,000	497,697				
29														

Description (a)	Coupon Rate (b)	Maturity Date (c)	Settlement Date (d)	Principal Amount (e)	Issuance Costs (f)	Loss/Reacq Expenses (g)	Net Proceeds (h)	Yield to Maturity (i)	Principal Outstanding 12-31-2008	
									Effective Cost (k)	Cost (k)
Trust Preferred	2.97%	06-01-2037	06-03-1997	40,000,000	1,296,086	-2,500,000	41,203,914	2.845%	40,000,000	1,137,813
PCB's	2.07%	03-01-2034	12-31-2008	17,000,000	255,000	2,332,632	14,412,368	2.928%	17,000,000	497,697

AVISTA CORPORATION
Cost of Short-Term Debt Detail
 December 31, 2009

	Dec-08 (B)	Jan-09 (C)	Feb-09 (D)	Mar-09 (E)	Apr-09 (F)	May-09 (G)	Jun-09 (H)	Jul-09 (I)	Aug-09 (J)	Sep-09 (K)	Oct-09 (L)	Nov-09 (M)	Dec-09 (N)	Avg of (O)
1 (A)														
2 Credit Facility	\$192,766	\$192,380	\$170,803	\$142,587	\$219,281	\$193,177	\$215,675	\$215,817	\$211,097	\$122,702	\$126,033	\$131,425	\$31,705	171,101
3 Total Short Term Debt	\$192,766	\$192,380	\$170,803	\$142,587	\$219,281	\$193,177	\$215,675	\$215,817	\$211,097	\$122,702	\$126,033	\$131,425	\$31,705	\$171,101
4														
5 Number of Days in Month	31	31	28	31	30	31	30	31	31	30	31	30	31	365
6														
7 CF Interest Expense	464,315	464,315	395,466	377,809	384,485	452,845	434,405	473,742	468,716	354,661	273,090	273,549	179,103	4,532,187
8 Total STD Interest Expense	464,315	464,315	395,466	377,809	384,485	452,845	434,405	473,742	468,716	354,661	273,090	273,549	179,103	4,532,187
9														
10 Ave Monthly Borrowing Rate	2.80%	2.80%	2.80%	2.80%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.65%
11														
12 Forecasted CF Borrowing Rate	2.80%	2.80%	2.80%	2.80%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%
13														
14 Credit Agreement Fees	\$40,092	\$234,500	\$33,015	\$35,424	\$32,213	\$34,514	\$25,934	\$27,304	\$37,856	\$38,558	\$44,991	\$49,945	\$68,206	\$458,054
15 Credit Agreement Amort of up-front costs	\$234,500	\$234,500	\$234,500	\$234,500	\$234,500	\$234,500	\$234,500	\$234,500	\$234,500	\$234,500	\$234,500	\$234,500	\$234,500	\$2,814,000
16														
17 Total Costs														\$7,804,240
18														
19 Total Borrowings														\$171,101,042
20														
21 Cost Rate														4.56%

(i) Short term interest is calculated on the average balance for the month times the interest rate for the month times the actual days in the month divided by 360 days.