

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-12 _____

DOCKET NO. UG-12 _____

EXHIBIT NO. ____ (KON-2)

KELLY O. NORWOOD

REPRESENTING AVISTA CORPORATION

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Standard & Poor's Updates Its U.S. Utility Regulatory Assessments

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Standard & Poor's Updates Its U.S. Utility Regulatory Assessments

In Standard & Poor's Ratings Services' commentary "Assessing U.S. Utility Regulatory Environments," (re-published March 11, 2010 on RatingsDirect), we discussed our views on what constitutes a credit-supportive regulatory climate. We then used those factors to create assessments of the regulatory environments in states that regulate the electric and gas utilities that we rate. We based the assessments of relevant jurisdictions on quantitative and qualitative factors, focusing on four main categories: the basic regulatory paradigm employed in the jurisdiction, ratemaking procedures, political influence, and financial stability.

The table and map below show our updated assessments of regulatory jurisdictions.

We lowered Florida to "Credit-Supportive" from "More Credit-Supportive" to incorporate our opinion regarding what we view to be a higher degree of political influence in more recent regulatory decisions. Connecticut was lowered to "Less Credit-Supportive" from "Credit-Supportive" in response to a series of apparently precedent-setting rate case decisions that, in our opinion, may make it more difficult for utilities to earn a reasonable return. Hawaii was lowered to "Less Credit-Supportive" from "Credit-Supportive" because of worsening regulatory lag and uncertainties we see regarding the realization of the Clean Energy Initiative's goals given the time it is taking to issue key decisions.

We raised Oklahoma to "Credit-Supportive" from "Less Credit-Supportive" based on our assessment of the addition of several new ratemaking mechanisms now used in the state that we believe will significantly enhance rate timeliness and cost recovery. Illinois was raised to "Less Credit-Supportive" from "Least Credit-Supportive" based on what we view as a return to stability in the legislative and regulatory environment after the disruption experienced during the state's transition to competition. We raised Maryland to "Less Credit-Supportive" from "Least Credit-Supportive" for the same reason and what we see as an increased use of credit-friendly rate mechanisms such as decoupling and other adjustment clauses.

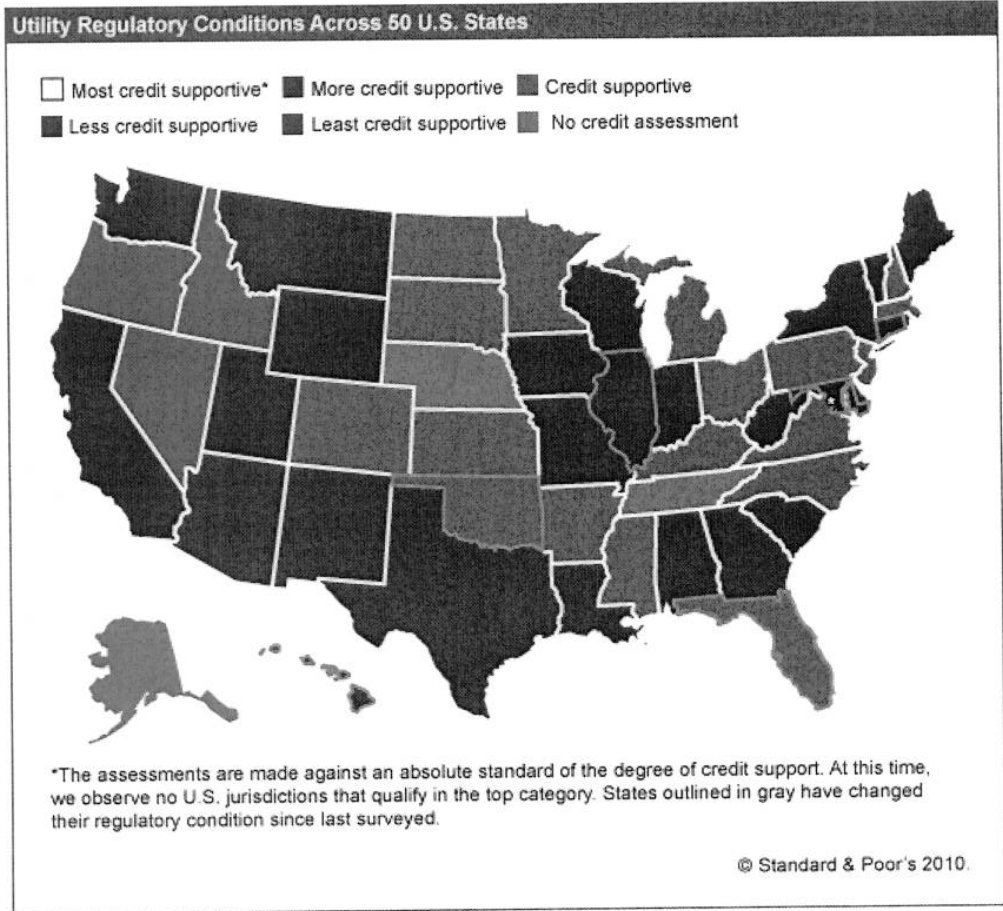
Regulatory Jurisdictions For Utilities Among U.S. States

Most credit supportive	More credit supportive	Credit supportive	Less credit supportive	Least credit supportive
Alabama	Arkansas	Connecticut¶	Arizona	
California	Colorado	Hawaii¶	Delaware	
Georgia	Florida¶	Illinois*	Dist. of Columbia	
Indiana	Idaho	Louisiana	New Mexico	
Iowa	Kansas	Maine		
South Carolina	Kentucky	Maryland*		
Wisconsin	Massachusetts	Missouri		
	Michigan	Montana		
	Minnesota	New York		
	Mississippi	Rhode Island		
	Nevada	Texas		
	New Hampshire	Utah		
	New Jersey	Vermont		
	North Carolina	Washington		

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Regulatory Jurisdictions For Utilities Among U.S. States (cont.)	
North Dakota	West Virginia
Ohio	Wyoming
Oklahoma*	
Oregon	
Pennsylvania	
South Dakota	
Virginia	

*Assessment raised. †Assessment lowered.



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