

**AVISTA CORPORATION**  
**Proposed Cost of Capital**

	Amount	Percent of Total Capital	Cost	Component Cost
Total Debt	\$ 1,678,000,000	51.50%	5.594%	2.88%
Common Equity	<u>1,580,252,427</u>	48.50%	(3) 9.90% (1)	4.80%
Total	<u>\$ 3,258,252,427</u>	<u>100%</u>		<u>7.68%</u>

**AVISTA CORPORATION**  
**Actual Cost of Capital**  
**September 30, 2015**

	Amount	Percent of Total Capital	Cost	Component Cost
Total Debt	\$1,473,410,820	51%	5.30%	2.68%
Common Equity	<u>1,435,635,110</u>	49%	9.80% (2)	4.84%
TOTAL	<u>\$ 2,909,045,930</u>	<u>100%</u>		<u>7.52%</u>

UPDATED August 8, 2016

(1) Proposed return on common equity

(2) Based on last known allowed return on common equity

(3) 48.5 is the average equity percentage in 2017

**AVISTA CORPORATION**  
 Cost of Debt Detail - Washington  
 December 31, 2016

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 12/31/2016	Effective Cost	Line No.
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(g)	(g)	(h)	(i)	(j)	(k)	(l)	
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	514,744	1
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	93,747	2
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	650,114	3
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	1,387,715	4
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	507,064	5
6	ADVANCE ASSOCIAT	1.591%	6/1/2037	6/3/1997	40,000,000	1,296,086	-	-	(1,769,125)	40,473,039	1.551%	40,000,000	620,302	6
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	1,618,863	7
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	5,815,420	8
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	9,332,891	9
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	9,179,674	10
11	5.95% SERIES	5.950%	6/1/2018	4/3/2008	250,000,000	2,246,419	16,395,000	835,000	-	230,523,581	7.034%	250,000,000	17,585,926	11
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	12,268,615	12
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	2,900,581	13
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	2,375,887	14
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	4,538,871	15
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	4,694,533	16
17	4.11% SERIES	4.110%	12/1/2044	12/18/2014	60,000,000	428,782	(5,429,000)	-	-	65,000,218	3.650%	60,000,000	2,190,070	17
18	4.37% SERIES	4.370%	12/1/2045	12/16/2015	100,000,000	587,866	9,383,299	-	-	90,028,835	5.017%	100,000,000	5,016,686	18
19	3.54% SERIES	3.540%	12/1/2051	12/15/2016	175,000,000	1,750,000	53,867,043	-	-	119,382,951	5.629%	175,000,000	9,850,280	19
20												1,578,000,000	91,141,986	20
21														21
22	Repurchase	8.85%	6/5/2028	5/24/2002	10,000,000				(2,228,153)	12,228,153	6.981%		-188,084	22
23	Repurchase	8.83%	6/5/2028	4/3/2003	10,000,000				(450,769)	10,450,769	8.395%		-43,661	23
24	Repurchase	8.83%	12/29/2022	3/11/2003	5,000,000				92,363	4,907,637	9.029%		10,341	24
25	Repurchase	5.72%	3/1/2034	12/30/2009	17,000,000				1,916,297	15,083,703	6.661%		159,446	25
26	Repurchase	6.55%	10/1/2032	12/31/2008	66,700,000				3,709,174	62,990,826	7.034%		324,360	26
27												1,578,000,000	91,404,388	27
28	5 Short Term-Debt				100,000,000						2.466%	100,000,000	2,465,657	28
29	<b>TOTAL DEBT OUTSTANDING AND COST OF DEBT AT December 31, 2016</b>											<b>1,678,000,000</b>	<b>93,870,045</b>	29
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<sup>1</sup> Var. Rate Long-Term Debt, interest rate information comes from Exhibit No. MTT-2 Page 5

<sup>2</sup> This is a projected issuance, whose maturity date and coupon rate may change depending on market conditions. Forecasted Rates are based on forward rates from Thomson Reuters analysis tools plus an estimated credit spread

<sup>3</sup> The coupon rate used is the cost of debt at the time of the repurchases

<sup>4</sup> The amounts are calculated using the IRR function

<sup>5</sup> Short-Term Debt information comes from Exhibit No. MTT-2 Page 4

<sup>6</sup> Issuance costs are estimated.

**Adjusted Weighted Average Cost of Debt 5.594%**

**AVISTA CORPORATION**  
 Cost of Short-Term Debt Detail  
 December 31, 2016

	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	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	29	31	30	31	30	31	31	30	31	30	31	366
Avg Monthly Forecasted Borrowing Rate		1.50%	1.82%	1.45%	1.17%	1.16%	1.63%	1.99%	1.7223%*	1.7223%*	1.7856%*	1.7856%*	1.7856%*	
Credit Facility Interest Expense		\$129,551	\$146,411	\$125,046	\$97,710	\$99,662	\$135,919	\$171,745	\$ 148,309	\$ 143,525	\$ 153,760	\$ 148,800	\$ 153,760	\$ 1,654,198
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	336,000
Credit Facility Amort of up-front costs		44,420	44,420	44,420	44,420	44,420	36,194	36,194	36,194	36,194	36,194	36,194	36,194	475,460
Total S/T Debt Expense	\$	201,971	\$ 218,831	\$ 197,466	\$ 170,130	\$ 172,082	\$ 200,113	\$ 235,939	\$ 212,503	\$ 207,719	\$ 217,954	\$ 212,994	\$ 217,954	\$ 2,465,657

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

**Total Borrowing Cost \$ 2,465,657**  
**Total Average Borrowings \$100,000,000**  
**Cost Rate 2.47%**

**AVISTA CORPORATION**  
 Cost of Long-Term Variable Rate Debt Detail  
 December 31, 2016

	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Avg of
(a)	(b)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(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	29	31	30	31	30	31	31	30	31	30	31	
Forecasted Rates Trust Preferred		1.2892%	1.2892%	1.5101%	1.5101%	1.5101%	1.5481%	1.5481%	1.5481%	1.7224%**	1.7633%**	1.7633%**	1.7633%**	
Trust Preferred Interest Expense	\$	44,406	\$ 41,541	\$ 52,015	\$ 50,337	\$ 52,015	\$ 51,602	\$ 53,322	\$ 53,322	\$ 57,413	\$ 60,736	\$ 58,777	\$ 60,736	\$ 636,219

Description	Coupon Rate	Maturity Date	Settlement Date	Principal Amount	Issuance Costs	Loss/Reacq Expenses	Net Proceeds	Yield to Maturity	Outstanding 12/31/2016	Effective Cost
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Trust Preferred	1.59%	6/1/2037	6/3/1997	\$ 40,000,000	\$ 1,296,086	\$ (1,769,125)	\$ 40,473,039	1.551%	\$ 40,000,000	\$ 620,302

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 the 87.5 basis points pursuant to the debt agreement.