

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-20 _____

DOCKET NO. UG-20 _____

EXH. MTT-2

MARK T. THIES

REPRESENTING AVISTA CORPORATION

AVISTA CORPORATION
Long-term Securities Credit Ratings

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

AVISTA CORPORATION				
Proposed Cost of Capital				
December 31, 2020				
	<u>Amount</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Component Cost</u>
Total Debt	\$ 1,973,500,000	50%	4.97%	2.48%
Common Equity	\$ 1,954,410,000	50%	9.90% ⁽¹⁾	4.95%
Total	<u>\$ 3,927,910,000</u>	<u>100%</u>		<u>7.43%</u>

AVISTA CORPORATION				
Actual Cost of Capital				
December 31, 2019				
	<u>Amount</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Component Cost</u>
Total Debt	\$1,860,500,000	50%	5.15%	2.57%
Common Equity	1,863,250,000	50%	9.40% ⁽²⁾	4.70%
TOTAL	<u>\$ 3,723,750,000</u>	<u>100%</u>		<u>7.28%</u>

⁽¹⁾ Proposed return on common equity

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

AVISTA CORPORATION
 Cost of Debt Detail - Washington
 December 31, 2020

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 12/31/20	Effective Cost	Line No.
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(g)	(h)	(i)	(j)	(k)	(l)	
1	FMBS - SERIES A	7.530%	5/5/23	5/6/93	5,500,000	42,712	-	-	963,011	4,494,277	9.359%	5,500,000	514,744	1
2	FMBS - SERIES A	7.540%	5/5/23	5/7/93	1,000,000	7,766	-	-	175,412	816,822	9.375%	1,000,000	93,747	2
3	FMBS - SERIES A	7.180%	8/11/23	8/12/93	7,000,000	54,364	-	-	-	6,945,636	7.244%	7,000,000	507,064	3
4	ADVANCE ASSOCIAT	2.046%	6/1/37	6/3/97	40,000,000	1,296,086	-	-	(1,769,125)	40,473,039	2.003%	40,000,000	801,240	4
5	FMBS - SERIES C	6.370%	6/19/28	6/19/98	25,000,000	158,304	-	-	188,649	24,653,047	6.475%	25,000,000	1,618,863	5
6	FMBS - 6.25%	6.250%	12/1/35	11/17/05	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	6
7	FMBS - 5.70%	5.700%	7/1/37	12/15/06	150,000,000	4,702,304	3,738,000	222,000	-	141,337,696	6.120%	150,000,000	9,179,674	7
8	5.125% SERIES	5.125%	4/1/22	9/22/09	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	8
9	5.55% SERIES	5.550%	12/20/40	12/20/10	35,000,000	258,834	-	-	5,263,822	29,477,345	6.788%	35,000,000	2,375,887	9
10	4.45% SERIES	4.450%	12/14/41	12/14/11	85,000,000	692,833	10,557,000	-	-	73,750,167	5.340%	85,000,000	4,538,871	10
11	4.23% SERIES	4.230%	11/29/47	11/30/12	80,000,000	730,833	18,546,870	-	105,020	60,617,277	5.868%	80,000,000	4,694,533	11
12	4.11% SERIES	4.110%	12/1/44	12/18/14	60,000,000	428,782	(5,429,000)	-	-	65,000,218	3.650%	60,000,000	2,190,070	12
13	4.37% SERIES	4.370%	12/1/45	12/16/15	100,000,000	590,761	9,383,299	-	-	90,025,940	5.017%	100,000,000	5,016,889	13
14	3.54% SERIES	3.540%	12/1/51	12/15/16	175,000,000	1,042,569	53,966,197	-	-	119,991,234	5.598%	175,000,000	9,797,043	14
15	3.91% SERIES	3.910%	12/1/47	12/14/17	90,000,000	548,589	8,823,322	-	-	80,628,089	4.550%	90,000,000	4,094,958	15
16	4.35% SERIES	4.350%	6/1/48	5/22/18	375,000,000	4,246,448	26,580,102	-	-	344,173,450	4.874%	375,000,000	18,277,633	16
17	3.43% SERIES	3.430%	12/1/49	11/26/19	180,000,000	1,111,577	13,325,137	-	-	165,563,286	3.885%	180,000,000	6,992,851	17
18	Forecasted issuance	3.070%	2	9/1/50	9/30/20	165,000,000	1,100,000	6	33,499,571	130,400,429	4.326%	165,000,000	7,138,106	18
19												1,973,500,000	99,433,680	19
20														20
21	Repurchase	8.85%	3	6/5/28	5/24/02	10,000,000			(2,228,153)	12,228,153	6.981%		-188,084	21
22	Repurchase	8.83%	3	6/5/28	4/3/03	10,000,000			(450,769)	10,450,769	8.395%		-43,661	22
23	Repurchase	8.83%	3	12/29/22	3/11/03	5,000,000			92,363	4,907,637	9.029%		10,341	23
24	Repurchase	5.72%	3	3/1/34	12/30/09	17,000,000			1,916,297	15,083,703	6.661%		159,446	24
25	Repurchase	6.55%	3	10/1/32	12/31/08	66,700,000			3,709,174	62,990,826	7.034%		324,360	25
26												1,973,500,000	99,696,081	26
27	5 Short Term-Debt				100,000,000						3.260%	100,000,000	3,260,446	27
28	TOTAL DEBT OUTSTANDING AND COST OF DEBT AT December 31, 2020												28	
29												2,073,500,000	102,956,527	29
30									Adjusted Weighted Average Cost of Debt		4.97%			30
31														31
32														32
33														33
34														34
35														35
36														36
37														37

¹ Var. Rate Long-Term Debt, interest rate information comes from Exhibit No. MTT-2 Page 5

² 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

³ The coupon rate used is the cost of debt at the time of the repurchases

⁴ The amounts are calculated using the IRR function

⁵ Short-Term Debt information comes from Exhibit No. MTT-2 Page 4

⁶ Issuance costs are estimated.

AVISTA CORPORATION
 Cost of Short-Term Debt Detail
 December 31, 2020

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	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*							1.49%	1.49%	1.49%	1.51%	1.51%	1.51%	1.54%	
Credit Facility Interest Expense	\$ 385,214	\$ 339,928	\$ 301,919	\$ 204,908	\$ 155,743	\$ 124,000	\$ 128,133	\$ 128,133	\$ 126,000	\$ 130,200	\$ 126,000	\$ 132,525	\$ 2,282,704	
Credit Facility Fees	39,741	37,253	38,753	37,662	38,783	50,000	50,000	50,000	50,000	50,000	50,000	50,000	542,192	
Credit Facility Amort of up-front costs	36,194	36,194	36,194	36,330	36,330	36,330	36,330	36,330	36,330	36,330	36,330	36,330	435,550	
Total S/T Debt Expense	\$ 461,149	\$ 413,376	\$ 376,867	\$ 278,899	\$ 230,855	\$ 210,330	\$ 214,463	\$ 214,463	\$ 212,330	\$ 216,530	\$ 212,330	\$ 218,855	\$ 3,260,446	

Total Borrowing Cost \$ 3,260,446
 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
 December 31, 2020

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	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	31	29	31	30	31	30	31	31	30	31	30	31	
Forecasted Rates Trust Preferred	2.7900%	2.7900%	2.7900%	2.4600%	2.4600%	2.4600%	1.2250%	1.2250%	1.2250%	1.1730%	1.1730%	1.1730%	1.1931%	
Trust Preferred Interest Expense	\$ 96,100	\$ 96,100	\$ 89,900	\$ 84,733	\$ 82,000	\$ 84,733	\$ 40,833	\$ 42,194	\$ 42,194	\$ 39,100	\$ 40,403	\$ 39,100	\$ 41,096	\$ 818,488

Description	Coupon Rate	Maturity Date	Settlement Date	Principal Amount	Issuance Costs	Loss/Reacq Expenses	Net Proceeds	Yield to Maturity	Outstanding 12/31/20	Effective Cost
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Trust Preferred	2.05%	6/1/37	6/3/97	\$ 40,000,000	\$ 1,296,086	\$ (1,769,125)	\$ 40,473,039	2.003%	\$ 40,000,000	\$ 801,240

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.

AVISTA CORPORATION
Capital Structure Reconciliation
(dollars in thousands)

	10-K 12/31/2019	Adjustments		Adjusted Regulatory Balance 12/31/2019	Activity		Adjusted Regulatory Balance 12/31/2020
Short-term Debt							
Avista Corp	\$ 185,800	\$ (85,800)	a	\$ 100,000	\$ -	a	\$ 100,000
Subsidiaries			b				
Total short-term debt	<u>\$ 185,800</u>	<u>\$ (85,800)</u>		<u>\$ 100,000</u>	<u>\$ -</u>		<u>\$ 100,000</u>
Long-term Debt							
Long-term debt	\$ 1,843,768	\$ (75,268)	c	\$ 1,768,500	\$ 165,000	f	\$ 1,933,500
Current Portion of long-term debt and capital leases	52,000	-	c	52,000	(52,000)	g	\$ -
Debt to Affiliated Trust	51,547	(11,547)	d	40,000			\$ 40,000
Total long-term debt	<u>\$ 1,947,315</u>	<u>\$ (86,815)</u>		<u>\$ 1,860,500</u>	<u>\$ 113,000</u>		<u>\$ 1,973,500</u>
Equity							
Total Avista Corporation stockholders' equity	<u>\$ 1,939,284</u>	<u>\$ (79,071)</u>	e	<u>\$ 1,860,213</u>	<u>\$ 101,476</u>	h	<u>\$ 1,961,689</u>

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

b We exclude short-term borrowings outstanding at our subsidiaries.

c These adjustments are made to reflect our actual principal amount outstanding. We exclude amounts related to settled interest rate swaps and unamortized debt discount. The amounts related to settled interest rate swaps and unamortized debt discount 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.

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 We exclude the following: capital stock expense; in order to recover the costs incurred for issuing equity, an amount equivalent to the investment in AERC, and accumulated other comprehensive loss; in order to reflect our actual equity balance.

Equity Adjustments (dollars in thousands):

Capital Stock Expense	\$ 17,518
Accumulated other comprehensive loss	\$ 7,222
Investment in AERC	\$ (103,811)
Total	<u>\$ (79,071)</u>

f Represents the issuance of long-term debt. There are forecasted issuance of \$165 million in 2020. For additional details related to this issuance see page 3 of this Exhibit.

g \$52 million of debt matures on 12/01/20.

h Forecasted Equity Activity (dollars in thousands):

Equity Activity	\$ 102,613
Change in equity in AERC	\$ (1,137)
Total	<u>\$ 101,476</u>