

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION)	DOCKETS UE-190334,
)	UG-190335, and UE-190222
Complainant,)	<i>(Consolidated)</i>
)	
v.)	
)	
AVISTA CORPORATION d/b/a)	
AVISTA UTILITIES)	
)	
Respondent.)	
_____)	

EXHIBIT MPG-20
STANDARD & POOR'S CREDIT METRICS
OCTOBER 3, 2019

Avista Corporation

Standard & Poor's Credit Metrics

Line	Description	Retail	S&P Benchmark (Medial Volatility)			Reference	
		Cost of Service	Intermediate	Significant	Aggressive		
		Amount	(1)	(2)	(3)	(4)	(5)
1	Rate Base (EL & Gas)	\$ 2,107,288					Andrews, Exh. EMA-2 and EMA-3.
2	Weighted Common Return	4.23%					Page 2, Line 2, Col. 4.
3	Pre-Tax Rate of Return	8.28%					Page 2, Line 3, Col. 5.
4	Income to Common	\$ 89,163					Line 1 x Line 2.
5	EBIT	\$ 174,450					Line 1 x Line 3.
6	Depreciation & Amortization	\$ 118,776					Andrews, Exh. EMA-2 and EMA-3.
7	Imputed Amortization	\$ 7,267					S&P Capital IQ, downloaded September 27, 2019, Page 4.
8	Capitalized Interest*	\$ (2,699)					S&P Capital IQ, downloaded September 27, 2019, Page 4.
9	Deferred Income Taxes & ITC	\$ 1,075					Andrews, Exh. EMA-2 and EMA-3.
10	Funds from Operations (FFO)	\$ 213,583					Sum of Line 4 and Lines 6 through 9.
11	Imputed Interest Expense	\$ 5,563					S&P Capital IQ, downloaded September 27, 2019, Page 4.
12	EBITDA	\$ 306,056					Sum of Lines 5 through 7 and Line 11.
13	Total Adjusted Debt Ratio	57%					Page 3, Line 4, Col. 2.
14	Debt to EBITDA	3.9x	2.5x - 3.5x	3.5x - 4.5x	4.5x - 5.5x		(Line 1 x Line 13) / Line 12.
15	FFO to Total Debt	18%	23% - 35%	13% - 23%	9% - 13%		Line 10 / (Line 1 x Line 13).
16	Indicative Credit Rating		BBB+	BBB	BB+		S&P Methodology, November 19, 2013.

Sources:

Standard & Poor's: "Criteria: Corporate Methodology," November 19, 2013.

Note:

Based on the May 2019 S&P report, Avista has a "Strong" business profile and a "Significant" financial profile, and falls under the 'Medial Volatility' matrix.

S&P Business/Financial Risk Profile Matrix			
Business Risk Profile	Financial Risk Profile		
	3 (intermediate)	4 (significant)	5 (aggressive)
1 (excellent)	a+/a	a-	bbb
2 (strong)	a-/bbb+	bbb	bb+
3 (satisfactory)	bbb/bbb-	bbb-/bb+	bb

Avista Corporation

Standard & Poor's Credit Metrics (Pre-Tax Rate of Return)

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)	<u>Cost</u> (3)	<u>Weighted</u> <u>Cost</u> (4)	<u>Pre-Tax</u> <u>Weighted</u> <u>Cost</u> (5)
1	Long-Term Debt	\$1,914,721	51.9%	5.15%	2.67%	2.67%
2	Common Equity	<u>\$1,773,220</u>	<u>48.1%</u>	8.80%	<u>4.23%</u>	<u>5.60%</u>
3	Total	\$3,687,941	100.00%		6.90%	8.28%
4	Tax Conversion Rate*					1.3246

Sources:

Exhibit MPG-3.

*Andrews, Exh. EMA-2 and EMA-3.

Avista Corporation

Standard & Poor's Credit Metrics (Financial Capital Structure)

<u>Line</u>	<u>Description</u>	<u>Amount</u> <u>(1)</u>	<u>Weight</u> <u>(2)</u>
1	Long-Term Debt	\$ 1,914,721	46.46%
2	Short-Term Debt	\$ 100,000	2.43%
3	Off-Balance Sheet Debt	<u>\$ 333,083</u>	<u>8.08%</u>
4	Total Debt	\$ 2,347,804	56.97%
5	Common Equity	<u>1,773,220</u>	<u>43.03%</u>
6	Total	\$ 4,121,024	100.00%

Sources:
Page 2 and Page 4.

Avista Corporation

Standard & Poor's Credit Metrics (Off-Balance Sheet Debt)

<u>Line</u>	<u>Jurisdiction</u>	<u>Rate Base (\$ Mill)</u>	
		<u>March 31, 2019</u> (1)	<u>Allocator</u> (2)
1	Washington Electric	\$ 1,627	51%
2	Washington Gas	\$ 363	11%
3	Washington Total		62%
4	Idaho Electric	\$ 812	25%
5	Idaho Gas	\$ 158	5%
6	Oregon Gas	\$ 255	8%
7	Total	\$ 3,215	100%
8	<u>S&P OBS Debt</u>²	<u>Amount</u>	
9	Operating Leases	\$ 50,571	
10	Purchases Power Agreements	\$ 90,506	
11	Asset Retirement Obligations	\$ 14,430	
12	Pension Obligation	\$ 177,575	
		\$ 333,083	
13	<u>Imputed Amortization</u>²		
14	Operating Leases	\$ 1,197	
15	Purchases Power Agreements	\$ 10,543	
16	Total Imputed Amortization	\$ 11,741	\$ 7,267
17	<u>Imputed Interest</u>²		
18	Operating Leases	\$ 1,803	
19	Purchases Power Agreements	\$ 6,335	
20	Asset Retirement Obligations	\$ 850	
21	Total Imputed Interest	\$ 8,988	\$ 5,563
22	<u>Capitalized Interest</u>³		
23	Short-Term Debt	\$ 100,000	
24	Cost of Short-Term Debt	4.36%	
25	Interest Expense	\$ 4,360	\$ 2,699

Sources:

¹2019 AGA Financial Forum Presentation, May 21-23, 2019.

²S&P Capital IQ, downloaded September 27, 2019.

³Thies, Exh. MTT-2.

Avista Corporation

S&P Adjusted Debt Ratio

Operating Subsidiaries of Value Line Electric, Gas and Water Utilities
(Industry Medians)

<u>Rating</u>	<u>Median</u>	<u>% Distribution of 9 Year Average</u>		
		<u><50</u>	<u>50 to 55</u>	<u>>55</u>
AA-	45.17%	100%	0%	0%
A+	53.26%	33%	33%	33%
A	51.46%	25%	50%	25%
A-	53.02%	35%	41%	24%
BBB+	52.82%	20%	48%	32%
BBB	56.04%	18%	29%	53%
BBB-	52.59%	33%	67%	0%
Avista Debt Ratio, Adj.	56.97%			

Sources:
S&P Capital IQ, downloaded May 6, 2019.
Page 3, Line 4, Col. 2