

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION)	
)	
Complainant,)	DOCKET NO. UE-070804
)	and
v.)	DOCKET NO. UG-070805
)	(consolidated)
)	
AVISTA CORPORATION d/b/a AVISTA)	
UTILITIES)	
)	
Respondent.)	
_____)	
In the Matter of the Petition of)	
)	
AVISTA CORPORATION d/b/a AVISTA)	DOCKET NO. UE-070311
UTILITIES,)	
)	
For an Accounting Order Regarding the)	
Appropriate Treatment of the Net Costs)	
Associated With the Repurchase of Debt)	
_____)	

EXHIBIT NO.____(MPG-4)

EXCERPTS OF CREDIT AGENCY REPORTS

October 17, 2007



Issuer Comment: Avista Corp.

Moody's comments on Avista Corp.'s plans for its subsidiary, Avista Energy, Inc.

Moody's Investors Service said that the announcement by Avista Corp. that its subsidiary, Avista Energy, Inc. signed a definitive agreement to sell substantially all of its contracts and ongoing operations to Coral Energy Holding, L.P. and certain of its subsidiaries (collectively Coral Energy), a subsidiary of Shell, is viewed as a positive credit development. However, the announcement does not change the company's existing ratings and stable rating outlook at this time.

As structured, the transaction calls for the sale of the trading portfolio at net book value, subject to Federal Energy Regulatory Commission approval, various adjustments, and satisfaction of other closing conditions. The company has indicated that closing is expected by late second quarter or early third quarter 2007. At the same time, Avista Corp. is expected to liquidate assets not subject to the sale or transfer to Coral Energy. These assets, which are largely comprised of receivables and restricted cash and deposits with counterparties, could generate proceeds near \$180 million.

If successful, the sale of Avista Energy contracts and operations would lower Avista Corp.'s overall business risk profile, leaving it largely focused on the regulated electric and natural gas utility business operated through the Avista Utility division and, to a considerably smaller degree, the facility and information and cost management services business conducted by Advantage IQ (formerly known as Avista Advantage). In addition, Avista will likely use a portion of the cash proceeds resulting from the aforementioned actions to initially reduce debt.

However, Avista Corp. faces a somewhat higher capital spending program over the next couple of years, primarily related to its Avista Utility division, which we believe will pose some challenge for Avista Corp. to strengthen its financial metrics, especially considering the lost cash flow contributions formerly derived from Avista Energy. Against this backdrop, our ongoing analysis will give increased scrutiny to future regulatory proceedings, especially those expected to be filed in Washington over the near term.

Prospectively, Avista Corp.'s ability to demonstrate an ability to achieve timely and adequate recovery of its utility-related capital investments such that cash flow from operations (prior to working capital changes) can be sustained at a level to provide coverage of interest and debt near 3.0x or higher and the mid to high teens, respectively, would be among the more heavily weighted factors that could lead us to consider an upgrade of Avista Corp.'s ratings. This would be especially so in light of the anticipated reduction in the business risk profile that should result from a successful exit from the energy marketing and resource management business that has also historically taken financial energy trading positions as part of its overall operations.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. It is headquartered in Spokane, Washington.

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RESEARCH

Research Update:

Avista Corp.'s Rating Outlook Revised To Positive On Announced Intent To Sell Avista Energy

Publication date:

17-Apr-2007

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Rationale

Standard & Poor's Ratings Services revised to positive the outlook on Avista Corp.'s rating following the company's announcement today that it intends to sell the assets of Avista Energy, its trading and marketing interest, to Coral Energy Holdings, L.P. a subsidiary of Shell. The sale, for the net book value of the trading portfolio, plus adjustments for fixed assets and natural gas inventory, is scheduled to close at the end of the second quarter or early in the third quarter of this year. If completed, the company's exit from the trading business is expected to free up about \$180 million in cash that is currently dedicated to these operations. The company has indicated that it will use some of the funds to reduce debt at Avista Utilities.

An exit from energy and trading operations is expected to reduce Avista Corp.'s consolidated business risks and could result in an improvement in the company's business profile score. Avista's current business profile score is '6' (satisfactory) on a 10-point scale where '1' is excellent. Absent Avista Energy, consolidated operations are characterized by generally stable regulatory environments, low-cost hydroelectric generation, competitive rates, and operating and regulatory diversity provided by combined electric and gas utility operations in Washington, Idaho, and Oregon. In addition to requiring substantial liquidity, Avista Energy has incurred periodic trading losses, which, while not catastrophic to financial performance, have been a detriment to the company's risk profile.

Avista Corp.'s ratings trajectory will depend not only on the sale of Avista Energy sale but also on a meaningful improvement in the company's financial profile, which is not expected before 2008. While consolidated financial performance in 2006 was slightly stronger than in 2005, performance continues to be weak for our ratings benchmarks--a business profile of '6' corresponds more closely to the 'BB' rating category. For this reason, absent a sale of Avista Energy, ratings are expected to be under pressure. Conversely, a sale of Avista Energy, which could lead to business profile improvement, combined with improving financials could result in higher ratings.

Adjusted funds from operations (FFO) to total debt was about 14% in 2006, with adjusted interest coverage at 2.7x. Due to the favorable December 2006 \$78 million equity issuance and modest debt reductions, adjusted total debt to capitalization has shown steady improvement since 2001. However, it is likely to take until year-end 2007 for company leverage to be less than 60%.

Financial performance in 2007 and 2008 will be driven by a number of factors. Without Avista Energy, the consolidated company's chief operating risk is Avista Utility's vulnerability to low water because retail electric rates are based on average hydro conditions. Electric fuel and purchased power mechanisms in place in Idaho and Washington do not fully offset this risk, despite improvements to Washington's energy recovery mechanism (ERM) made in 2006.

Five of the last seven years have brought below-normal water conditions to the Pacific Northwest, although in 2006 hydro conditions were 104% of

normal. One consequence of poor water levels is that until 2006 the company has had difficulty significantly reducing the sizable purchased power deferral costs that it incurred during the western energy crisis. While surcharges are in place to decrease these balances, continued high-cost purchases in dry years have been offsetting some of these ratepayer-funded reductions. At year-end 2003, for example, deferred power costs stood at \$156 million, and at March 31, 2006 they were about \$130 million. However, by year-end 2006, favorable hydro conditions reduced balances to about \$80 million. Under average water assumptions, the deferred balance is expected to be substantially eliminated by 2008.

Continued regulatory support will also be an important consideration. Avista Utilities is expected to file a retail electric general rate case (GRC) in Washington seeking an undisclosed level of rate relief. The GRC follows the Washington Utilities and Transportation Commission's (WUTC) December 2006 rejection of the company's request to increase production and transmission rates an average of 8.8% through an update filing, which, if granted, would have boosted 2007 cash flow metrics. As a result, rate relief is expected to be delayed into 2008 (the utility's last Washington GRC was filed in March 2005 for 11.3%, and, in a settlement approved by the WUTC in December 2005, rates were increased 7.5%, effective Jan. 1, 2006).

Also in 2008, the utility is expected to refinance high-cost debt. Of the \$950 million of long-term debt on Avista Corp.'s balance sheet at year-end 2006, approximately \$273 million or 29% is associated with high-cost notes bearing interest of 9.75% that were issued during the western energy crisis. Refinancing this debt should improve cash coverage ratios.

Unlike many western investor-owned utilities, Avista Utilities is slightly long on generation, and, as a result, is not expected to require new resource additions before 2011. This results in relatively modest utility capital requirements which in 2006 were \$161 million and are expected to be in the range of \$180 million-\$190 million through 2009. As a result, we expect Avista to generate slightly positive levels of free cash flow.

While not expected to be a major rating factor, five of the utility's hydroelectric plants on the Spokane River operate under a FERC license that expires in August 2007. As part of the FERC license renewal process, various parties have proposed or mandated conditions that the company estimates could result in a worst-case cost of \$725 million for all plants, which total 156 MW. The company would seek recovery of these costs over a 50-year license period. Licenses are likely to be extended under an annual license process if the FERC does not rule before August.

Liquidity

Avista's overall liquidity position is comfortable. A \$320 million line of credit for Avista Utilities and a \$145 million committed line for Avista Energy, maturing in April 2011 and July 2007, respectively, are the sources of external liquidity available to Avista.

As of Dec. 31, 2006, Avista Utility's had \$52.5 million in letters of credit outstanding under its facility. Avista Utilities can also sell up to \$85 million of receivables through a wholly owned, bankruptcy remote subsidiary. As of Dec. 31, 2006, \$85 million in receivables were sold, which is treated as an off-balance sheet borrowing in our ratio calculations.

The Avista Energy line was supporting \$52.5 million in letters of credit at year-end 2006. Liquidity for the trading business also includes by cash on hand, restricted cash and deposits which totaled \$137 million. As of Dec. 31, 2007 Avista had adequate liquidity under Standard & Poor's liquidity survey for trading and marketing operations. Under a rating revision to the 'B' category and a simultaneous 20% change in commodity prices, Avista's liquidity sources cover collateral demand by a comfortable margin.

Outlook

The outlook is positive. An improvement in the ratings is predicated on the sale of Avista Energy on the timeline and terms as announced and on the company achieving improvement in its financial performance commensurate with our benchmarks. Because the company's financial performance is weak given its current business position, which incorporates the operations of Avista Energy, a failure to consummate the sale of the trading business could result in an

adverse outlook revision or rating change.

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Avista Corp. Corporate Credit Rating	BB+/Positive/B-1	BB+/Stable/B-1

Ratings Affirmed

Avista Corp. Senior Secured Local Currency	BBB-
Senior Unsecured Local Currency	BB+
Preferred Stock Local Currency	BB-

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RESEARCH

BULLETIN: Changes In Recovery Of Energy Clause In WA Protective Of Avista's Credit Quality

Publication date: 19-Jun-2006
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SAN FRANCISCO (Standard & Poor's) June 19, 2006--Standard & Poor's Ratings Services said today that modifications to Avista Utilities' energy recovery mechanism (ERM) in its Washington electric service should provide modest cash flow protection. Avista Utilities is an operating division of Avista Corp. (BB+/Stable/B-1). On June 16, the Washington Utilities and Transportation Commission approved a settlement that narrows the company's ERM dead band to \$4 million from its original \$9 million level. The modified ERM also calls for a 50-50 sharing between \$4 million-\$10 million (e.g., Avista Utilities would defer 50% of costs incurred within this range), and a 90-10 sharing greater than \$10 million.

Because in five of the last six years Avista Utilities has experienced below average hydro conditions, the company has procured power at costs that exceed retail rates, routinely absorbing the \$9 million under the old dead band. The revised rules should better protect Avista Utilities when fuel and purchased power costs exceed those reflected in retail rates, which currently reflect an average cost of power supply of about \$32.89 per megawatt-hour. The new ERM is retroactive to Jan. 1, 2006.

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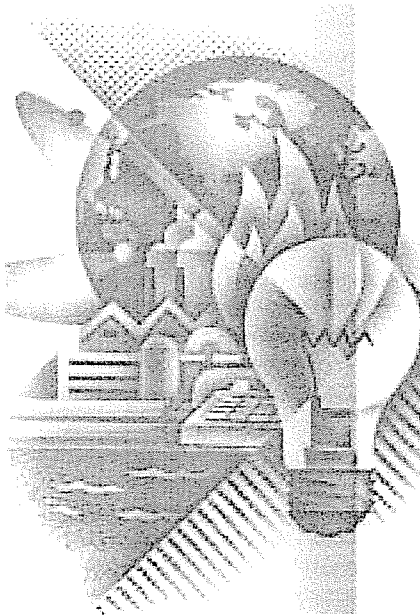
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Standard & Poor's
**UTILITIES &
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GLOBAL UTILITIES RATING SERVICE

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**STANDARD
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Feature Article

Downward Credit Pressure Continues on U.S. Power Industry

Rating activity was overwhelmingly negative for U.S. utilities (electric, gas, pipeline, and water) in this year's turbulent third quarter, with several companies experiencing numerous downgrades. Since July 1, 2002, there have been 57 downgrades among holding companies and operating subsidiaries, compared with just eight upgrades (three of which relate to Northern Natural Gas Co.). For the same period in 2001, there were only nine downgrades and five upgrades. The torrid pace of the previous six months (78 downgrades and six upgrades) continued in the third quarter, as did the steep credit decline that began in 2001, when Standard & Poor's recorded 81 downgrades and 29 upgrades. In addition, the third quarter witnessed many new CreditWatch listings and outlook revisions, most of which were negative.

Although U.S. power industry creditworthiness began to weaken before 2001, the California energy crisis and the Enron bankruptcy hastened the negative trend. The erosion can be traced mainly to:

- Weakening financial profiles;
- Loss of investor confidence that has affected liquidity and financing flexibility;
- Heightened business risk derived from more investment outside the traditional regulated utility business, particularly unregulated generation and energy trading and marketing;
- Capital and corporate restructuring efforts;
- Regulatory difficulties; and
- Mergers and acquisitions.

These trends, in turn, reflect companies' strategies to deal with an increasingly uncertain and competitive market, while also seeking to enhance shareholder value.

In just 12 months, the number of companies rated 'A' and above has significantly declined, while the number of firms rated 'BBB' and below has risen substantially. In this regard, about 49% of the industry now falls in the 'BBB' category rating, while a full 11% are rated below investment grade, including five companies that are rated 'D', compared with 40% and 5%, respectively, at the end of September 2001. The decline in the 'A' and 'AA' rating category has been precipitous, with just 40% of the industry carrying ratings of 'A' and above, versus 55% one year earlier. Notably, although the average rating for the power sector as a whole has slipped to 'BBB+', companies that continue to emphasize a vertically integrated structure are hanging onto an 'A-' average. But utility holding companies that have ventured too far afield from their core competencies have suffered weakening market capitalization and, in many instances, rating downgrades.

Despite the large number of rating downgrades and ongoing negative pressures on utility credit quality, the sector remains solidly investment grade. This is in line with the large percentage of companies (86%) that have average or above-average business profiles.

Capital Market Update

Financing activity declined in the past 12 months following a significant increase in 2001. The amount of long-term debt, hybrid preferred securities, and preferred stock issued during the first nine months of 2002 was about \$56.9 billion, compared with approximately \$61.2 billion issued in the same period in 2001. The decrease is attributable to a number of factors, among them capital market jitters, especially for those issuers that require access to the capital markets, a consequent heavier reliance on bank debt, sliding wholesale electricity prices, and reduced capital expenditures across all sectors, but most significantly as the result of the postponement or cancellation of planned new power plants.

Subpar Financial Measurements

A heavy debt burden has driven down key measures of bondholder protection in recent years. Total debt as a percentage of total capitalization was an aggressive 59.8% at June 30, 2002 (the latest period in which comparable data is available) compared with 54.9% almost four years earlier at year-end 1998. This debt level, while just one measure of financial health, is characteristic of a 'BB' rating category credit with an average business position. Much of the increase in leverage can be traced to debt raised at the parent or intermediate holding company level to fund unregulated activities. The material increase in leverage has not been offset by strengthening cash flows, and funds from operations to total debt has accordingly steadily declined, falling below 16% in June 2002 from 21% in 1998. This key financial ratio is also typical of a 'BB' category company. Funds flow coverage of interest and pretax interest coverage have also slipped, to 3.3 times (x) and 2.8x, respectively, for the rolling 12 months June 2002, from 3.9x and 3.1x in 1998. These levels are just suitable for companies in the 'BBB' rating group. However, the aforementioned ratios actually rose, although very slightly, in 2001 and June 2002 because of lower interest rates. Of course, there are several other financial and qualitative factors that determine credit quality, but given eroding financial parameters and riskier business profiles the median rating for the utility industry may eventually slip out of the high 'BBB' category.

RESEARCH

Industry Report Card: U.S. Electric/Water/Gas

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Commentary/Key Trends

Rating actions in the regulated U.S. utility (electric, gas, pipeline, and water) and merchant power sectors over the past few months were fairly balanced. Since the last report card (for the third quarter of 2004), there were nine upgrades and eight downgrades.

A few noteworthy trends have emerged as important factors for credit quality. These include the rising importance of regulatory decisions in certain states, the acceleration of merger and acquisition activity, a low interest rate regimen, and attractive debt capital markets that allow many issuers to refinance at favorable rates. Despite these trends, challenges associated with weak financial credit measures and stagnant power markets in many regions pressure the financial performance of certain issuers.

Regulatory treatment has become a more prevalent ratings driver in certain jurisdictions. Filings and rulings on rate proceedings in states such as Arizona, Oregon, Missouri, and Texas could affect ratings in the near term. In addition, the opposing views of certain state regulatory bodies and the FERC on issues, such as restructuring the regional transmission systems and incorporating certain merchant plants of affiliated companies in the rate base, will likely lead to a protracted struggle among those regulatory bodies for oversight.

Regulatory decisions were meaningful factors in the downgrades of DTE Energy Co. (BBB/Stable/A-2) and IDACORP Inc. (BBB+/Stable/A-2). In the case of IDACORP, a disappointing regulatory decision compounded by weak credit measures led to the downgrade. For Detroit Edison Co., a unit of DTE Energy, despite the granting of a rate order that provided a substantial increase in rates and contained many favorable characteristics, the credit measures would not improve enough in the near term to be commensurate with the ratings.

Another development that has become a more prominent ratings issue is merger and acquisition activity. Recently, Exelon Corp. (A-/Watch Neg/A-2) announced a merger with Public Service Enterprise Group Inc. (BBB/Watch Dev/A-3) that would create the industry's largest utility holding company. Exelon's ratings were placed on CreditWatch with negative implications while PSEG's ratings were placed on CreditWatch with developing implications. The ratings on NUI Utilities Inc. (A-/Negative/--) and the outlook on AGL Resources Inc. (A-/Negative/A-2) were also affected by their transaction, which was completed in December. In addition, Illinois Power Co. (A-/Negative/--) was upgraded, upon the completion of its acquisition by Ameren Corp. (A-/Negative/A-2). While it is unclear whether these transactions presage a rise in merger and acquisition activity, there apparently is increasing interest.

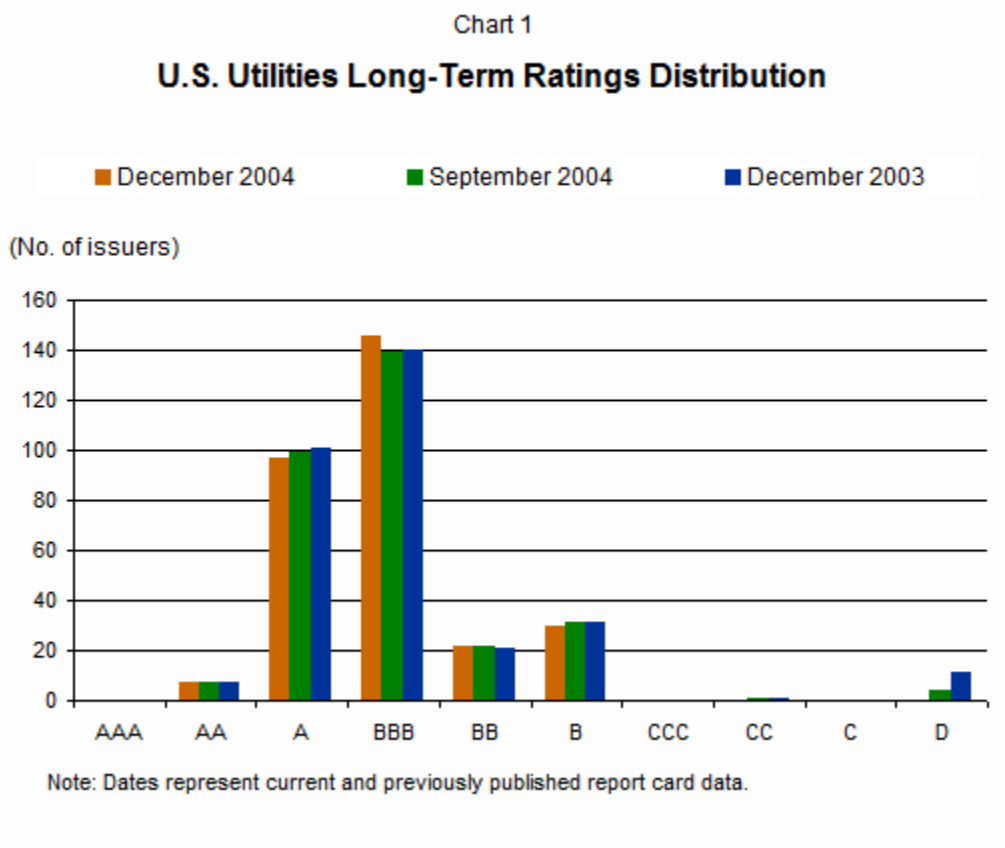
The number of rating actions during 2004 declined dramatically from the past few years. The number of rating actions (upgrades and downgrades) is only about one-third of the previous two years. This is indicative of a measure of rating stability, which is indeed apparent in rating outlooks, 56% of which are

stable. This is also a reflection of slowly stabilizing credit measures as many management teams have made "balance sheet repair" a key business objective. For example, Duke Energy Corp.'s outlook was revised to positive in recognition of significant debt reduction in 2004 and improved credit measures.

Still, weak credit measures and financial performance leave certain issuers susceptible to rating downgrades. The existing financial weakness of many utilities results primarily from high debt levels and cash flow stress associated with unsuccessful forays into more competitive businesses. Consequently, 37% of rating outlooks are negative or on CreditWatch with negative implications. Moreover, despite the current industry trend of "back-to-basics," it is very possible in the longer term that the competition for capital and investor interest will embolden companies to embrace growth strategies that could erode credit quality.

Companies with merchant exposure continue to experience volatile cash flows and regulatory uncertainty. The operating environment remains challenging. The creditworthiness of many purely merchant power companies is constrained by burdensome debt levels and insufficient cash flow from operations. Faced with the prospect of stagnant power markets in many regions, cash flow measures are likely to remain weak until wholesale electricity margins materially improve. The only bright spot in this otherwise dim market are merchant coal and nuclear plants that are benefiting from their lower cost of generation in markets, where elevated gas prices set power prices.

Chart 1



RESEARCH

Industry Report Card:

**Despite Demands For Increased Capital Spending,
U.S. Utility Ratings Should Remain Stable**

Publication date:

12-Jan-2007

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Key Credit Trends

The U.S. utility industry demonstrated stable credit quality in the fourth quarter of 2006, and should continue to do so in 2007 despite increasing capital spending needs related to reliability enhancements and environmental requirements. A general refocus by the industry in recent years on restoring balance sheet health and selling noncore business operations has enhanced its ability to withstand the pressure that substantial capital spending will bring.

A critical element during this coming growth phase, however, will be fair and equitable treatment by state regulators as utilities seek to recover the capital expenditures they will incur to address declining reserve margins, aging and increasingly fragile infrastructure, and environmental mandates. Standard & Poor's Ratings Services expects that most utilities will seek pre-approval from regulators of any substantial spending program, or at least a broad understanding of the principles that regulators will apply in granting recovery. Of comparable significance to supporting credit quality is regulatory approval for timely recovery of fuel costs, especially in an environment of elevated commodity prices.

With 57% of the industry carrying a stable outlook, we expect rating changes to remain low in 2007. What could cause this assessment to change would be event risk, specifically, an acceleration of merger and acquisition activity despite the collapse in 2006 of two high profile combinations between Exelon Corp. (BBB+/Watch Neg/A-2) and Public Service Enterprise Group Inc. (BBB/Negative/A-3) and between Constellation Energy Group Inc. (BBB+/Negative/A-2) and FPL Group Inc. (A/Stable/--). M&A could ultimately have a significant but uncertain impact on rating movements, which will depend on how the transactions are financed and the credit quality of the respective parties prior to the merger. Long-term private equity and financial buyers could be major influences in this respect, though it is too early to determine whether a trend has been established by the deals between Macquarie Infrastructure Partners and Duquesne Light Holdings Inc. (BBB+/Watch Neg/--), Babcock & Brown Infrastructure Ltd. and NorthWestern Corp. (BB+/Watch Neg/--), and Berkshire Hathaway Inc. (AAA/Stable/A-1+) and PacifiCorp (A-Stable/A-1) that were announced or closed in 2006.

Despite earlier fireworks, 2006 ends with a fizzle

Since we published our last utility report card on Oct. 25, 2006, Standard & Poor's has made no rating upgrades or downgrades among electric, gas, and water utilities. The entire year had 21 upgrades and 20 downgrades.

Following the third quarter's very notable events, specifically, the dissolution of the merger agreement between Exelon and Public Service Enterprise Group and political developments regarding the end of the rate freeze in Illinois, and the many rating actions that followed, the fourth quarter was in all respects very quiet.

In late November, the Illinois state legislature's special session to consider extending for three years the current long-lived electric rate freeze for all the state's utilities failed to garner the necessary votes. Passage of such an extension would have resulted in a serious cash shortfall for the utilities because the costs they would incur to procure power would exceed the rates they would be allowed to charge customers for that power. Because no lawmaker has thus far proposed any alternative mechanisms to

Industry Surveys

Electric Utilities

August 9, 2007

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S&P Ratings Services View:

Credit ratings under pressure

Credit ratings in this industry face continued pressure from the need of many US utilities to invest in upgrading their generation, transmission, and distribution systems, and from rising costs for fuel and other inputs. Also, some utilities have been acquired by private equity firms using large amounts of debt, and in some states, regulators are making rate increases and cost recovery difficult.

Ratings activity in the US investor-owned electric utility industry was mixed during a relatively quiet second quarter. Between April 1 and July 17, 2007, Standard & Poor's Ratings Services raised the corporate credit ratings of 10 companies, six of which were related to Allegheny Energy, and lowered eight corporate credit ratings, seven of which were related to Ameren Corp. The past three months also witnessed four outlook revisions, all of which were positive. The principal drivers of the upside rating activity were improving financial conditions, which were largely due to significant debt reduction, stronger free cash flow, cost reductions, regulatory support, and reduced business risk.

Capital Spending

Utilities are aggressively investing in generation facilities to address rising demand and replace retiring assets, in transmission plants to replace and build out an aging grid, and in distribution systems that need to be expanded and made more efficient.

The aging and undercapitalized transmission grid in the United States requires significant reinvestment to replace wires, substations, and other equipment, such as computer systems. Companies are making these investments, but much more capital spending is needed to strengthen reliability, connect new generation, reduce costs incurred because of congestion, improve access to lower-cost power, and replace aging plants. The rising costs from all these expenditures may strain regulatory and political environments, making it that much more important to secure preconstruction approval for lengthy, big-ticket projects.

Capital is also being deployed to satisfy environmental and renewable energy mandates in part to reduce greenhouse gas emissions. We would expect more environmental remediation on existing infrastructure and an emphasis on building new plants that are environmentally friendly. Renewal of tax credits for renewable energy such as wind generation may also happen and could also be expanded.

How quickly a utility begins to recover these building costs is a key determinant of credit quality. Interim recovery through mechanisms such as earning a cash return on construction work in progress (CWIP) helps reduce deterioration in credit measures and maintain credit quality during high capital spending periods.

Rising Costs

Companies that are building new plants and upgrading facilities face rising raw materials costs. Significant management skill is necessary to secure engineering, procurement, and construction contracts that provide guaranteed prices, shielding utilities from cost overruns. Another challenge is the shortage of skilled labor, which threatens construction schedules and in-service dates. Other operating expenses are also rising, including those for routine maintenance and for employee benefits such as health care and pensions.

Declining natural gas prices have moved the fuel cost recovery debate off the front page, but prices have proven to be very volatile and are likely to react sharply to a weather event that affects production. Over the medium term, coal prices are expected to rise, as is the cost of processing uranium used for nuclear fuel, which also pressures companies' cost recovery. In our view, states that have fuel-adjustment mechanisms to smooth cash flows and encourage utilities to mitigate risk through hedging and supply procurement are positioned best to handle cyclical fuel prices.

Mergers and Acquisitions

Mergers and acquisitions have a significant, but uncertain, effect on rating movements. These movements depend on how the transactions are funded and how creditworthy the respective parties were before combination. The strategy behind the combination also plays a role.

The reception of nontraditional buyers, such as private equity firms, by regulators has therefore been mixed. Decisions by regulators depend on what they believe about the new owner's strategy. Success is more likely when the regulator considers the new owner a long-term investor.

Believing some utilities have underutilized debt capacity, some nontraditional buyers have shown a willingness to load up the intermediate holding company with debt, choosing to tolerate weaker credit metrics in return for potentially higher equity returns.