Exh. CSH-5
Docket U-170970
Witness: Christopher S. Hancock

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of Hydro One Limited and Avista Corporation for an Order Authorizing Proposed Transaction	**DOCKET U-170970**

EXHIBIT TO
TESTIMONY OF

Christopher S. Hancock

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Attachment A to Avista Response to UTC Staff Data Request No. 8, Moody's

April 10, 2018

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's Affirms Avista Corp. at Baa1; Outlook Stable

Global Credit Research - 19 Jul 2017

Approximately $1.5 Billion of Debt Securities Affected

New York, July 19, 2017 -- Moody's Investors Service, ("Moody's") affirmed the ratings of Avista Corp., including its Baa1 long-term issuer rating (see debt list below), following its announced agreement to be acquired by the Canadian electric utility Hydro One, Ltd. (HOL unrated). The outlook is stable.

Outlook Actions:

..Issuer: Avista Corp.

....Outlook, Remains Stable

Affirmations:

..Issuer: Avista Corp.

.... Issuer Rating, Affirmed Baa1

....Multiple Seniority Medium-Term Note Program, Affirmed (P)A2

....Senior Secured Medium-Term Notes, Affirmed A2

....Senior Secured First Mortgage Bonds, Affirmed A2

....Senior Secured Medium-Term Note Program, Affirmed (P)A2

....Senior Unsecured Medium-Term Note Program, Affirmed (P)Baa1

RATINGS RATIONALE

"The affirmation of Avista's ratings reflects our understanding that the acquisition debt, to be issued by Hydro One, Ltd., will be a direct obligation of the larger, more diverse Canadian holding company and should not affect Avista's standalone financial profile" said Vice President Ryan Wobbrock.

On 19 July, HOL announced it had reached an agreement to acquire Avista Corp. for $53 per share in a $5.3 billion all-cash transaction, including the assumption of roughly $1.9 billion of Avista reported debt. The $53 per share purchase price represents a premium of around 24% to Avista's 18 July closing price. HOL has indicated that part of the transaction financing will include the issuance of nearly $2.6 billion of HOL debt and about CAD1.4 billion of contingent convertible debentures.

Moody's expects that the transaction debt will be issued directly by HOL, a much larger holding company, and that it will not materially change Avista's financial or leverage metrics. Moody's also assumes that there will be no significant change to Avista's regulated capital structure and dividend policy. As such, we believe that HOL's ownership will be credit neutral, based on current assumptions.

The acquisition is subject to the approval of Avista shareholders, various US state utility regulatory commissions (i.e., the Washington Utilities and Transportation Commission, the Oregon Public Utilities Commission, the Idaho Public Utilities Commission, the Regulatory Commission of Alaska, and the Montana Public Service Commission), the Federal Energy Regulatory Commission, among others, and in compliance with the Hart-Scott-Rodino Act.

Avista's Baa1 senior unsecured rating and stable outlook reflects its primary business as a low-risk vertically integrated electric and gas utility with supportive cost recovery mechanisms, such as electric and gas revenue decoupling. Recent adverse regulatory events in Washington, Avista's primary jurisdiction, create some uncertainty for the company going forward, but Avista's financial profile can provide cushion to offset any negative effects over the next 12-18 months.

Rating Outlook

The stable rating outlook reflects our view that the pending acquisition by HOL will not materially affect the credit quality of Avista. The outlook also incorporates a view that Avista will continue to benefit from reasonably credit supportive regulation in its jurisdictions, especially its primary jurisdiction of Washington.

Factors that Could Lead to an Upgrade

The ratings for Avista could be upgraded if regulatory relationships in Washington improve and the company is able to produce cash flow to debt metrics above 21% on a sustained basis, without the benefits from one-time adjustments or temporary tax benefits.

Factors that Could Lead to a Downgrade

Avista's ratings could considered for downgrade if less credit supportive regulatory relationships materialize over a sustained period of time or if cash flow to debt metrics were to fall to 17% on a consistent basis. Also, if the contribution of Avista's unregulated business were to increase significantly or its dividend payout increased meaningfully to support the new parent company's acquisition debt.

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in June 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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