

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION, DBA  
AVISTA UTILITIES,

Respondent.

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) DOCKET NOS. UE-140188 and  
) UG-140189 (*Consolidated*)  
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**EXHIBIT NO.\_\_\_\_(MPG-21C)**

**STANDARD & POOR'S CREDIT METRICS**

**REDACTED VERSION**

**July 22, 2014**

# Avista Corporation

## Standard & Poor's Credit Metrics (Electric)

<u>Line</u>	<u>Description</u>	Retail	<u>S&amp;P Benchmark (Medial Volatility)<sup>1/2</sup></u>			<u>Reference</u>
		<u>Cost of Service</u> <u>Amount (\$000)</u> (1)	<u>Intermediate</u> (2)	<u>Significant</u> (3)	<u>Aggressive</u> (4)	
1	Rate Base	\$ 1,365,444				Exhibit No.____(EMA-2), Page 1.
2	Weighted Common Return	4.32%				Page 3, Line 2, Col. 3.
3	Pre-Tax Rate of Return	9.82%				Page 3, Line 3, Col. 4.
4	Income to Common	\$ 59,042				Line 1 x Line 2.
5	EBIT	\$ 134,084				Line 1 x Line 3.
6	Depreciation & Amortization	\$ 16,534				Exhibit No.____(EMA-2), Page 4.
7	Imputed Amortization					Avista's Response to ICNU - 3.7C.
8	Deferred Income Taxes & ITC	\$ 10,802				Exhibit No.____(EMA-2), Page 4.
9	Funds from Operations (FFO)	\$ 92,766				Sum of Line 4 and Lines 6 through 8.
10	Imputed Interest Expense					Avista's Response to ICNU - 3.7C.
11	EBITDA	\$ 159,142				Sum of Lines 5 through 7 and Line 10.
12	Total Adjusted Debt Ratio	54%				Page 4, Line 3, Col. 2.
13	Debt to EBITDA	4.6x	2.5x - 3.5x	3.5x - 4.5x	4.5x - 5.5x	(Line 1 x Line 12) / Line 11.
14	FFO to Total Debt	13%	23% - 35%	13% - 23%	9% - 13%	Line 9 / (Line 1 x Line 12).

## Sources:

<sup>1</sup> Standard & Poor's: "Criteria: Corporate Methodology," November 19, 2013.

<sup>2</sup> Ratings Direct: "Summary: Avista Corp.," May 9, 2014.

## Note:

Based on the May 2014 S&P report, Avista has a "Strong" business risk profile and a "Significant" financial risk profile, and falls under the "Medial Volatility" matrix.

# Avista Corporation

## Standard & Poor's Credit Metrics (Gas)

<u>Line</u>	<u>Description</u>	Retail	<u>S&amp;P Benchmark (Medial Volatility)<sup>1/2</sup></u>			<u>Reference</u>
		<u>Cost of Service</u> <u>Amount (\$000)</u> (1)	<u>Intermediate</u> (2)	<u>Significant</u> (3)	<u>Aggressive</u> (4)	
1	Rate Base	\$ 242,844				Exhibit No.____(EMA-3), Page 1.
2	Weighted Common Return	4.32%				Page 3, Line 2, Col. 3.
3	Pre-Tax Rate of Return	9.82%				Page 3, Line 3, Col. 4.
4	Income to Common	\$ 10,501				Line 1 x Line 2.
5	EBIT	\$ 23,847				Line 1 x Line 3.
6	Depreciation & Amortization	\$ 17,021				Exhibit No.____(EMA-3), Page 4.
7	Imputed Amortization					Avista's Response to ICNU - 3.7C.
8	Deferred Income Taxes & ITC	\$ 4,543				Exhibit No.____(EMA-3), Page 4.
9	Funds from Operations (FFO)	\$ 33,252				Sum of Line 4 and Lines 6 through 8.
10	Imputed Interest Expense					Avista's Response to ICNU - 3.7C.
11	EBITDA	\$ 42,452				Sum of Lines 5 through 7 and Line 10.
12	Total Debt Ratio	54%				Page 4, Line 3, Col. 2.
13	Debt to EBITDA	3.1x	2.5x - 3.5x	3.5x - 4.5x	4.5x - 5.5x	(Line 1 x Line 12) / Line 11.
14	FFO to Total Debt	25%	23% - 35%	13% - 23%	9% - 13%	Line 9 / (Line 1 x Line 12).

## Sources:

<sup>1</sup> Standard & Poor's: "Criteria: Corporate Methodology," November 19, 2013.

<sup>2</sup> Ratings Direct: "Summary: Avista Corp.," May 9, 2014.

## Note:

Based on the May 2014 S&P report, Avista has a "Strong" business risk profile and a "Significant" financial risk profile, and falls under the "Medial Volatility" matrix.

# Avista Corporation

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

<u>Line</u>	<u>Description</u>	<u>Weight</u> (1)	<u>Cost</u> (2)	<u>Weighted</u> <u>Cost</u> (3)	<u>Pre-Tax</u> <u>Weighted</u> <u>Cost</u> (4)
1	Total Debt	53.0%	5.38%	2.85%	2.85%
2	Common Equity	<u>47.0%</u>	<b>9.20%</b>	<u>4.32%</u>	<u>6.97%</u>
3	<b>Total</b>	<b>100.0%</b>		<b>7.18%</b>	<b>9.82%</b>
4	Tax Conversion Factor*				1.6110


Sources:

<sup>1</sup> Exhibit No.\_\_\_\_(MPG-3).

\* Exhibit No.\_\_\_\_(EMA-2), Page 2.

# Avista Corporation

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

<u>Line</u>	<u>Description</u>	<u>Amount (000)</u> (1)	<u>Weight</u> (2)
1	Total Debt		
2	Off Balance Sheet Debt*		
3	<b>Total Debt</b>		
4	Common Equity		
5	<b>Total</b>		

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Sources:

\* Avista's Response to ICNU - 3.7C.