

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)	
)	
Complainant,)	
)	
v.)	DOCKETS UE-170485 and UG-170486 (Consolidated)
)	
AVISTA CORPORATION, DBA AVISTA UTILITIES,)	
)	
Respondent.)	
<hr/>)	

EXHIBIT MPG-22

STANDARD & POOR'S CREDIT METRICS

OCTOBER 27, 2017

Avista Corporation

Standard & Poor's Credit Metrics

<u>Line</u>	<u>Description</u>	Retail	S&P Benchmark (Medial Volatility) ^{1/2}			<u>Reference</u> (5)
		Cost of Service Amount (\$000) (1)	Intermediate (2)	Significant (3)	Aggressive (4)	
1	Rate Base	\$ 1,592,165				Andrews, Exh. EMA-3.
2	Weighted Common Return	4.41%				Page 2, Line 3, Col. 3.
3	Pre-Tax Rate of Return	9.80%				Page 2, Line 4, Col. 4.
4	Income to Common	\$ 70,190				Line 1 x Line 2.
5	EBIT	\$ 155,997				Line 1 x Line 3.
6	Depreciation & Amortization	\$ 31,654				Andrews, Exh. EMA-3.
7	Imputed Amortization	\$ 13,205				S&P, CreditStats, downloaded October 17, 2017-3yr AVG
8	Deferred Income Taxes & ITC	\$ 66,865				Andrews, Exh. EMA-3.
9	Funds from Operations (FFO)	\$ 181,915				Sum of Line 4 and Lines 6 through 8.
10	Imputed & Capitalized Interest Expense	\$ 18,158				S&P, CreditStats, downloaded October 17, 2017-3yr AVG
11	EBITDA	\$ 219,015				Sum of Lines 5 through 7 and Line 10.
12	Total Debt Ratio	54.5%				Page 3, Line 3, Col. 2.
13	Debt to EBITDA	4.0x	2.5x - 3.5x	3.5x - 4.5x	4.5x - 5.5x	(Line 1 x Line 12) / Line 11.
14	FFO to Total Debt	21%	23% - 35%	13% - 23%	9% - 13%	Line 9 / (Line 1 x Line 12).

Sources:

¹ Standard & Poor's RatingsDirect: "Criteria: Corporate Methodology," November 19, 2013.

² Standard & Poor's RatingsDirect, Summary: "Avista Corp." July 19, 2017.

Note:

Based on the July 2017 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	Long-Term Debt	48.7%	5.31%	2.59%	2.59%
2	Short-Term Debt	2.9%	3.26%	0.09%	0.09%
3	Common Equity	<u>48.4%</u>	9.10%	<u>4.41%</u>	<u>7.12%</u>
4	Total	100.0%		7.09%	9.80%
5	Tax Conversion Factor				1.6144

Sources:

Andrews, Exh. EMA-3.

* Gorman, Exh. MPG-3.

Avista Corporation

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

<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Weight</u> (2)
1	Total Debt	\$ 1,782,558	48.42%
2	Off-Balance sheet Debt*	<u>\$ 224,161</u>	<u>6.09%</u>
3	Total Debt	\$ 2,006,719	54.50%
4	Common Equity	<u>1,675,020</u>	<u>45.50%</u>
5	Total	\$ 3,681,739	100.00%

Sources:

Page 2.

*S&P, CreditStats, downloaded October 17, 2017 -
3yr avg at YE 2016.

Avista Corporation

S&P Adjusted Debt Ratio (Operating Subsidiaries of Value Line Electric and Gas Utilities)

12 Quarter Average - %							% Distribution of Quarterly Average		
<u>Line</u>	<u>Rating</u>	<u>Count</u>	<u>Average</u>	<u>Median</u>	<u>High</u>	<u>Low</u>	<u>< 50</u>	<u>50 to 55</u>	<u>> 55</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	AA-	1	42.84	42.84	42.84	42.84	100%	0%	0%
2	A+	1	53.27	53.27	53.27	53.27	0%	100%	0%
3	A	12	48.48	48.76	55.62	40.72	67%	25%	8%
4	A-	49	50.75	52.18	64.88	29.53	39%	37%	24%
5	BBB+	27	52.42	52.36	64.80	39.62	22%	48%	30%
6	BBB	8	53.15	53.74	57.68	47.48	25%	38%	38%
7	BBB-	10	53.46	53.05	57.17	48.88	10%	60%	30%
8	BB+	0	-	-	-	-			
9	Total	108							
10	Average		50.62	50.89	56.61	43.19			

Quarter Results - 2014Q3 through 2017Q2 - %							% Distribution of Quarterly Average		
<u>Line</u>	<u>Rating</u>	<u>Count</u>	<u>Average</u>	<u>Median</u>	<u>High</u>	<u>Low</u>	<u>< 50</u>	<u>50 to 55</u>	<u>> 55</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
11	AA-	12	42.84	42.90	45.00	40.80	100%	0%	0%
12	A+	12	53.27	53.90	56.70	48.90	17%	42%	42%
13	A	134	48.89	48.65	58.60	39.00	60%	31%	8%
14	A-	559	50.77	52.30	68.00	21.50	39%	34%	27%
15	BBB+	311	52.53	52.50	68.50	35.60	26%	45%	29%
16	BBB	96	53.15	53.85	60.00	44.60	25%	39%	36%
17	BBB-	118	53.42	53.15	67.00	40.70	18%	47%	35%
18	BB+	0	-	-	-	-			
19	Total	1242							
20	Average		50.70	51.04	60.54	38.73			

Source:

S&P Capital IQ, downloaded September 28, 2017.

Avista Corporation

S&P Adjusted Debt Ratio (Operating Subsidiaries of Value Line Electric Utilities)

12 Quarter Average - %							% Distribution of Quarterly Average		
<u>Line</u>	<u>Rating</u>	<u>Count</u>	<u>Average</u>	<u>Median</u>	<u>High</u>	<u>Low</u>	<u>< 50</u>	<u>50 to 55</u>	<u>> 55</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	AA-	1	42.84	42.84	42.84	42.84	100%	0%	0%
2	A+	0	-	-	-	-			
3	A	8	49.64	50.20	55.62	40.72	50%	38%	13%
4	A-	47	51.19	52.22	64.88	34.63	38%	36%	26%
5	BBB+	23	52.01	52.36	60.33	39.62	26%	43%	30%
6	BBB	8	53.15	53.74	57.68	47.48	25%	38%	38%
7	BBB-	10	53.46	53.05	57.17	48.88	10%	60%	30%
8	BB+	0	-	-	-	-			
9	Total	97							
10	Average		50.38	50.74	56.42	42.36			

Quarter Results - 2014Q3 through 2017Q2 - %							% Distribution of Quarterly Average		
<u>Line</u>	<u>Rating</u>	<u>Count</u>	<u>Average</u>	<u>Median</u>	<u>High</u>	<u>Low</u>	<u>< 50</u>	<u>50 to 55</u>	<u>> 55</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
11	AA-	12	42.84	42.90	45.00	40.80	100%	0%	0%
12	A+	0	-	-	-	-			
13	A	87	50.37	50.50	58.60	39.00	44%	44%	13%
14	A-	535	51.23	52.50	68.00	30.00	38%	34%	28%
15	BBB+	273	52.10	52.40	61.80	35.60	28%	44%	28%
16	BBB	96	53.15	53.85	60.00	44.60	25%	39%	36%
17	BBB-	118	53.42	53.15	67.00	40.70	18%	47%	35%
18	BB+	0	-	-	-	-			
19	Total	1121							
20	Average		50.52	50.88	60.07	38.45			

Source:

S&P Capital IQ, downloaded September 28, 2017.

Avista Corporation

S&P Adjusted Debt Ratio (Operating Subsidiaries of Value Line Gas Utilities)

12 Quarter Average - %							% Distribution of Quarterly Average		
<u>Line</u>	<u>Rating</u>	<u>Count</u>	<u>Average</u>	<u>Median</u>	<u>High</u>	<u>Low</u>	<u>< 50</u>	<u>50 to 55</u>	<u>> 55</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	AA-	0	-	-	-	-			
2	A+	1	53.27	53.27	53.27	53.27	0%	100%	0%
3	A	4	46.15	46.99	48.40	42.21	100%	0%	0%
4	A-	2	40.32	40.32	51.12	29.53	50%	50%	0%
5	BBB+	4	54.75	52.02	64.80	50.14	0%	75%	25%
6	BBB	0	-	-	-	-			
7	BBB-	0	-	-	-	-			
8	BB+	0	-	-	-	-			
9	Total	11							
10	Average		48.62	48.15	54.40	43.79			

Quarter Results - 2014Q3 through 2017Q2 - %							% Distribution of Quarterly Average		
<u>Line</u>	<u>Rating</u>	<u>Count</u>	<u>Average</u>	<u>Median</u>	<u>High</u>	<u>Low</u>	<u>< 50</u>	<u>50 to 55</u>	<u>> 55</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
11	AA-	0	-	-	-	-			
12	A+	12	53.27	53.90	56.70	48.90	17%	42%	42%
13	A	47	46.15	46.80	53.50	39.70	91%	9%	0%
14	A-	24	40.32	41.65	53.60	21.50	58%	42%	0%
15	BBB+	38	55.63	52.80	68.50	46.70	16%	50%	34%
16	BBB	0	-	-	-	-			
17	BBB-	0	-	-	-	-			
18	BB+	0	-	-	-	-			
19	Total	121							
20	Average		48.84	48.79	58.08	39.20			

Source:

S&P Capital IQ, downloaded September 28, 2017.