

**AVISTA UTILITIES
RATEMAKNG CAPITAL STRUCTURE**

<u>Type of Capital</u>	<u>PERCENT</u>	<u>COST RATE</u>	<u>WT. AVG. COST RATE</u>
Common Equity	40.00%	9.25%	3.70%
Preferred Stock	1.57%	7.39%	0.12%
Preferred Securities	5.84%	6.60%	0.39%
Total Debt	<u>52.59%</u>	8.44%	<u>4.44%</u>
TOTALS	100.00%		8.64%

PRE-TAX INTEREST COVERAGE* = 2.27x

*Using the tax gross-up factor used by the Company, of 62.09%, the pre-tax overall return would be 10.98% [8.64%-(4.44%+0.39%) =3.82%/(62.09%) = 6.15%+(4.44%+0.39%)]. That pre-tax overall return (10.98%), divided by the weighted cost of debt (4.44%+0.39%), indicates a pre-tax interest coverage of 2.27 times.