

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	
	)	
AVISTA CORPORATION, d/b/a AVISTA	)	<b>Docket No. UE-060181</b>
UTILITIES,	)	
	)	
For Continuation of the Company's Energy	)	
Recovery Mechanism, with Certain	)	
Modifications.	)	
_____	)	

**EXHIBIT NO.\_\_(MPG-7)**

**S&P CREDIT RATING FINANCIAL RATIOS AT ROE OF 10.4%  
FULL ERM RECOVERY**

**April 21, 2006**

## Avista Utilities

### S&P Credit Rating Financial Ratios at ROE of 10.4% Full ERM Cost Recovery

Line	Discription	Ratio at 10.4% <u>Equity Return</u> (1)	S&P "BBB" Rating (BP: 6) <u>Benchmark*</u> (3)	S&P "BB" Rating (BP: 6) <u>Benchmark*</u> (3)	<u>Reference</u> (4)
1	Adjusted Income to Common	\$ 33,107			Page 2, Line 12, Col. 3
2	Depreciation	\$ 39,756			Exhibit No.__(DMF-2) at 1.
3	Deferred Income Tax	\$ 827			Exhibit No.__(DMF-2) at 1.
4	Funds from Operations (FFO)	\$ 73,690			Sum of Line 1 though 3.
5	Weighted Interest Rate	4.08%			Page 2; Line 1+Line 2, Col. 3.
6	Interest Expense	\$ 32,471			Line 5 x Page 1, Line 12, Col. 3.
7	FFO Plus Interest	\$ 106,161			Line 4 + Line 6.
8	FFO Interest Coverage	<b>3.3x</b>	4.2x - 3.0x	3.0x - 2.0x	Line 7 / Line 6.
9	Total Debt Ratio	<b>59%</b>	48% - 58%	58% - 62%	Page 2; Line 1, Col. 1.
10	FFO to Total Debt	<b>16%</b>	28% - 18%	18% - 12%	Line 4 / (Page 1, Line 12, Col. 3 x Line 9).
11	Return on Equity (ROE)	10.40%			Page 2, Line 4, Col. 2.

Source:

\* Standard and Poors. New Business Profile Scores Assigned to U.S. Utility and Power Companies; Financial Guidelines Revised; June 2, 2004.

# Avista Utilities

## Rate of Return at 10.4% ROE

<u>Line</u>	<u>Discription</u>	<u>Weight</u> (1)	<u>Cost</u> (2)	<u>Weighted</u> <u>Cost</u> (3)
1	Total Debt	53.4%	7.00%	3.74%
2	Trust Preferred Securities	5.2%	6.60%	0.34%
3	Preferred Stock	1.4%	7.39%	0.10%
4	Common Equity	<u>40.0%</u>	<b>10.40%</b>	<u>4.16%</u>
5	<b>Total</b>	<b>100.0%</b>		<b>8.34%</b>
6	Rate Base			\$ 795,845
7	Income to Common			\$ 33,107
8	ERM Deadband			\$ -
9	Tax Rate			38.33%
10	After Tax ERM Deadband			\$ -
11	ROE Impact			0.00%
12	Adjusted Incme to Common			\$ 33,107

Source:  
Settlement Agreement, Page 1.