

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

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

EXHIBIT NO.__(MPG-8)

**S&P CREDIT RATING FINANCIAL RATIOS AT ROE OF 10.4%
ERM UNDERRECOVERY BY \$9.0 MILLION**

April 21, 2006

Avista Utilities

S&P Credit Rating Financial Ratios at ROE of 10.4% ERM Underrecovery by \$9.0 Million

Line	Discription	Ratio at 10.4% Equity Return (1)	S&P "BBB" Rating (BP: 6) Benchmark* (3)	S&P "BB" Rating (BP: 6) Benchmark* (3)	Reference (4)
1	Adjusted Income to Common	\$ 27,557			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)	\$ 68,140			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	\$ 100,611			Line 4 + Line 6.
8	FFO Interest Coverage	3.1x	4.2x - 3.0x	3.0x - 2.0x	Line 7 / Line 6.
9	Total Debt Ratio	59%	48% - 58%	58% - 62%	Page 2; Line 1, Col. 1.
10	FFO to Total Debt	15%	28% - 18%	18% - 12%	Line 4 / (Page 1, Line 12, Col. 3 x Line 9).
11	Return on Equity (ROE)	8.7%			Page 2, Line 13, Col. 3.

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>	10.40%	<u>4.16%</u>
5	Total	100.0%		8.34%
6	Rate Base			\$ 795,845
7	Income to Common			\$ 33,107
8	ERM Deadband			\$ 9,000
9	Tax Rate			38.33%
10	After Tax ERM Deadband			\$ 5,550
11	ROE Impact			1.74%
12	Adjusted Income to Common			\$ 27,557
13	Adjusted ROE			8.7%

Source:

Settlement Agreement, Page 1.