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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-15-05
OF AVISTA CORPORATION FOR THE)	CASE NO. AVU-G-15-01
AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR ELECTRIC AND)	
NATURAL GAS SERVICE TO ELECTRIC)	Exhibit No. 2
AND NATURAL GAS CUSTOMERS IN THE)	
STATE OF IDAHO)	MARK T. THIES
)	

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

AVISTA CORPORATION
Long-term Securities Credit Ratings

	Standard & Poor's	Moody's
Last Upgraded	March/August 2011 ⁽¹⁾	January 2014
Credit Outlook	Stable	Stable
	A+	A1
	A	A2 First Mortgage Bonds Secured Medium-Term Notes
	A- First Mortgage Bonds Secured Medium-Term Notes	A3
	BBB+	Baa1 Avista Corp./Issuer rating
	BBB Avista Corp./Corporate credit rating	Baa2 Trust-Originated Preferred Securities
	BBB-	Baa3
INVESTMENT GRADE		
	BB+ Trust-Originated Preferred Securities	Ba1
	BB	Ba2
	BB-	Ba3

(1) The Company received an upgrade to its Corporate credit rating in March 2011 and to its First Mortgage Bonds in August 2011

AVISTA CORPORATION
Proposed Cost of Capital
December 31, 2015

	Amount	Percent of Total Capital	Cost	Component Cost
Total Long-term Debt	\$ 1,493,000,000	50.0% ⁽²⁾	5.34%	2.67%
Common Equity	\$ 1,446,879,000	50.0% ⁽²⁾	9.90% ⁽¹⁾	4.95%
Total	<u>\$ 2,939,879,000</u>	<u>100%</u>		<u>7.62%</u>

AVISTA CORPORATION
Cost of Capital
December 31, 2014

	Amount	Percent of Total Capital	Cost	Component Cost
Total Long-term Debt	\$ 1,393,000,000	49.6%	5.46%	2.71%
Common Equity	\$ 1,415,264,000	50.4%	9.80% ⁽³⁾	4.94%
TOTAL	<u>\$ 2,808,264,000</u>	<u>100%</u>		<u>7.65%</u>

⁽¹⁾ Proposed return on common equity

⁽²⁾ The Company's actual percentage of debt and equity is 50.8% and 49.2%, respectively. The Company is proposing a capital structure of 50% equity and 50% total long-term debt.

⁽³⁾ As approved by the Commission in Case AVU-E-12-08/AVU-G-12-07

AVISTA CORPORATION
Forecasted Cost of Debt Detail - Idaho
December 31, 2015

Line No.	Description	Coupon Rate	Maturity Date	Settlement Date	Principal Amount	Issuance Costs	SWAP Loss/(Gain)	Discount (Premium)	Loss/Reacq Expenses	Net Proceeds	Yield to Maturity	Principal Outstanding 12/31/2015	Effective Cost	Line No.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(g)	(h)	(i)	(j)	(k)	(l)			
1	FMBS - SERIES A	7.530%	5/5/2023	5/6/1993	5,500,000	42,712	-	-	963,011	4,494,277	9.359%	5,500,000	514,744	1	
2	FMBS - SERIES A	7.540%	5/5/2023	5/7/1993	1,000,000	7,766	-	-	175,412	816,822	9.375%	1,000,000	93,747	2	
3	FMBS - SERIES A	7.390%	5/11/2018	5/11/1993	7,000,000	54,364	-	-	1,227,883	5,717,753	9.287%	7,000,000	650,114	3	
4	FMBS - SERIES A	7.450%	6/11/2018	6/9/1993	15,500,000	120,377	-	50,220	2,140,440	13,188,963	8.953%	15,500,000	1,387,715	4	
5	FMBS - SERIES A	7.180%	8/11/2023	8/12/1993	7,000,000	54,364	-	-	-	6,945,636	7.244%	7,000,000	507,064	5	
6	Trust Preferred	1.490%	6/1/2037	6/3/1997	40,000,000	1,296,086	-	-	(1,769,125)	40,473,039	1.451%	40,000,000	580,492	6	
7	FMBS - SERIES C	6.370%	6/19/2028	6/19/1998	25,000,000	158,304	-	-	188,649	24,653,047	6.475%	25,000,000	1,618,863	7	
8	5.45% SERIES	5.450%	12/1/2019	11/18/2004	90,000,000	1,192,681	-	239,400	-	88,567,919	5.608%	90,000,000	5,047,001	8	
9	FMBS - 6.25%	6.250%	12/1/2035	11/17/2005	150,000,000	1,812,935	(4,445,000)	367,500	-	152,264,565	6.139%	150,000,000	9,208,605	9	
10	FMBS - 5.70%	5.700%	7/1/2037	12/15/2006	150,000,000	4,702,304	3,738,000	222,000	-	141,337,696	6.120%	150,000,000	9,179,674	10	
11	5.95% SERIES	5.950%	6/1/2018	4/3/2008	250,000,000	2,246,419	16,395,000	835,000	-	230,523,581	7.034%	250,000,000	17,585,926	11	
12	5.125% SERIES	5.125%	4/1/2022	9/22/2009	250,000,000	2,284,788	(10,776,222)	575,000	2,875,817	255,040,618	4.907%	250,000,000	12,268,615	12	
13	3.89% SERIES	3.890%	12/20/2020	12/20/2010	52,000,000	385,129	-	-	6,273,664	45,341,207	5.578%	52,000,000	2,900,581	13	
14	5.55% SERIES	5.550%	12/20/2040	12/20/2010	35,000,000	258,834	-	-	5,263,822	29,477,345	6.788%	35,000,000	2,375,887	14	
15	4.45% SERIES	4.450%	12/14/2041	12/14/2011	85,000,000	692,833	10,557,000	-	-	73,750,167	5.340%	85,000,000	4,538,871	15	
16	4.23% SERIES	4.230%	11/29/2047	11/30/2012	80,000,000	730,833	18,546,870	-	105,020	60,617,277	5.868%	80,000,000	4,694,533	16	
17	0.84% SERIES	0.840%	8/14/2016	8/14/2013	90,000,000	515,369	(2,900,680)	-	-	92,385,311	-0.043%	90,000,000	(38,508)	17	
18	4.11% SERIES	4.110%	12/1/2044	12/18/2014	60,000,000	427,439	(5,429,000)	-	-	65,001,561	3.650%	60,000,000	2,190,000	18	
19	Forecasted Issuance	b 3.750%	9/15/2045	9/15/2015	100,000,000	1,000,000	e	-	-	99,000,000	3.806%	100,000,000	3,806,194		
20												1,493,000,000	79,110,120	20	
21														21	
22	Repurchase	c 7.74%	12/31/2017	6/30/2006	6,875,000				483,582	6,391,418	8.721%		d 70,127	22	
23	Repurchase	c 5.72%	3/1/2034	12/30/2009	17,000,000				1,916,297	15,083,703	6.661%		d 159,446	23	
24	Repurchase	c 6.55%	10/1/2032	12/31/2008	66,700,000				3,709,174	62,990,826	7.034%		d 324,360	24	
25												1,493,000,000	79,664,053	25	
26														26	
27														27	
													Adjusted Weighted Average Cost of Long-term Debt	5.336%	28
28	a	Var. Rate Long-Term Debt, interest rate information comes from Exhibit No. 1 Page 4													28
29	b	This is a projected issuance, whose maturity date and coupon rate may change depending on market conditions. Forecasted Rates are based on forward rates from Thomson Reuters analysis tools plus an estimated credit spread													29
30	c	The coupon rate used is the cost of debt at the time of the repurchases													30
31	d	The amounts are calculated using the IRR function													31
32	e	The Company forecasts issuance expenses of 1% based on historical costs													32

AVISTA CORPORATION
 Cost of Long-Term Variable Rate Debt Detail
 December 31, 2015

	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Avg of
(a)	(b)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(o)
Trust Preferred	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$ 40,000,000
Number of Days in Month	31	31	28	31	30	31	30	31	31	30	31	30	31	
Forecasted Rates Trust Preferred*	1.11%	1.11%	1.11%	1.14%	1.2639%**	1.2639%**	1.2639%**	1.4585%**	1.4585%**	1.4585%**	1.6555%**	1.6555%**	1.6555%**	
Trust Preferred Interest Expense	\$ 38,185	\$ 38,185	\$ 34,490	\$ 39,150	\$ 42,130	\$ 43,534	\$ 42,130	\$ 50,237	\$ 50,237	\$ 48,617	\$ 57,023	\$ 55,183	\$ 57,023	\$ 596,124

Description	Coupon Rate	Maturity Date	Settlement Date	Principal Amount	Issuance Costs	Gain/Reacq Expenses	Net Proceeds	Yield to Maturity	Outstanding 12/31/2015	Effective Cost
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Trust Preferred	1.49%	6/1/2037	6/3/1997	\$ 40,000,000	\$ 1,296,086	\$ (1,769,125)	\$ 40,473,039	1.451%	\$ 40,000,000	\$ 580,492

*Original issue principal amount was \$50 million. The Company repurchased \$10 million of the securities outstanding.

**Forecasted Rates are based on forward rates from Thomson Reuters analysis tools plus the 87.5 basis points pursuant to the debt agreement.

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Company's planned capital expenditures and long-term debt issuances by year

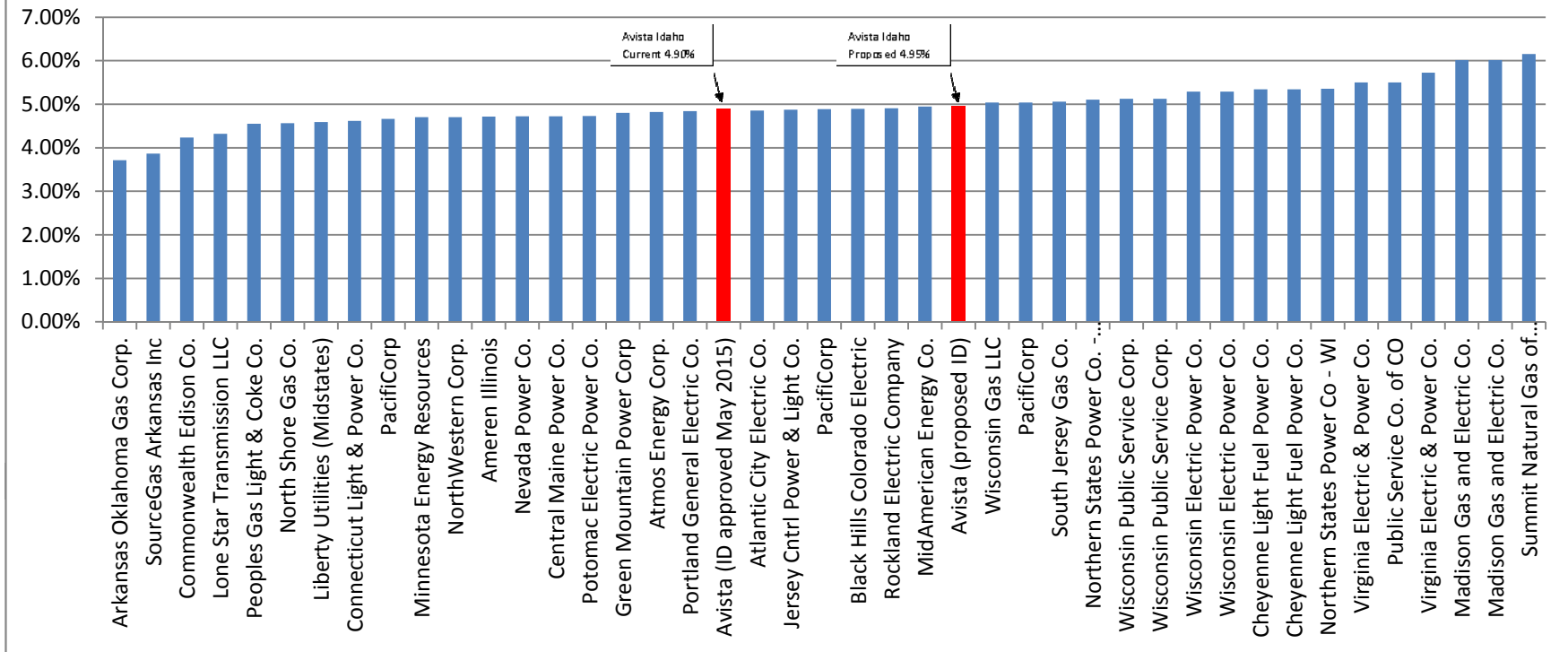
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Interest Rate Risk Management Plan

Pages 1 of 9

Electric & Natural Gas Rate Cases Weighted Cost of Equity



*Source: SNL Financial. Rate Cases finalized July 1, 2014 through March 31, 2015.

Items added (red bars):

- Avista's last approved return from the Idaho Commission.
- Avista's proposed return in the current filing.