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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. AVU-E-17-01 OF AVISTA CORPORATION FOR THE) CASE NO. AVU-G-17-01 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 (2)
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	
	INVE	ESTMENT GRADE		
	BB+	Trust-Originated Preferred Securities	Ba1	
	ВВ		Ba2	
	BB-		Ba3	

⁽¹⁾ The Company received an upgrade from Standard & Poor's to its Corporate credit rating in March 2011 and to its First Mortgage Bonds in August 2011.

⁽²⁾ The Company received upgrades from Moody's Investors Service in January 2014. The upgrades were one level for First Mortgage Bonds and the Issuer Rating and two levels for Trust-Originated Preferred Securities.

Case Nos. AVU-E-17-01 and AVU-G-17-01 M. Thies, Avista Schedule 1, Page 1 of 5

AVISTA CORPORATION Proposed Cost of Capital										
	Proposed		Component							
	Structure	Cost	Cost							
Total Debt	50.0%	5.72%	2.86%							
Common Equity	50.0%	9.90%	4.95%							
Total	100.0%		7.81%							

AVISTA CORPORATION Embedded Cost of Capital December 31, 2016											
	Percent of		Component								
	Total Capital	Cost	Cost								
Total Debt	50.1%	5.75%	2.88%								
Common Equity	49.9%	9.50%	2) 4.74%								
TOTAL	100.00%		7.62%								

⁽¹⁾ Proposed return on common equity (2) Last approved ROE as of 1/1/2017.

AVISTA CORPORATION Cost of Long-Term Debt Detail - Idaho December 31, 2017

2 FMBS - SERIES A 7.540% 5/5/2023 5/7/1993 1,000,000 7,766 - - 175,412 816,822 9 3 FMBS - SERIES A 7.390% 5/11/2018 5/11/1993 7,000,000 54,364 - - 1,227,883 5,717,753 9 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	12/31/2017 (k) 5,500,000 % 5,500,000 % 7,000,000 % 7,000,000 % 7,000,000 % 40,000,000 % 40,000,000 % 90,000,000
1 FMBS - SERIES A 7.530% 5/5/2023 5/6/1993 5,500,000 42,712 - - 963,011 4,494,277 9 2 FMBS - SERIES A 7.540% 5/5/2023 5/7/1993 1,000,000 7,766 - - 175,412 816,822 9 3 FMBS - SERIES A 7.390% 5/11/2018 5/11/1993 7,000,000 54,364 - - 1,227,883 5,717,753 9 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	5,500,000 1,000,000 7,000,000 15,500,000 7,000,000 40,000,000 40,000,000 5% 25,000,000
2 FMBS - SERIES A 7.540% 5/5/2023 5/7/1993 1,000,000 7,766 175,412 816,822 9 3 FMBS - SERIES A 7.390% 5/11/2018 5/11/1993 7,000,000 54,364 1,227,883 5,717,753 9 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	1,000,000 7,000,000 3% 15,500,000 1% 7,000,000 1% 7,000,000 3% 40,000,000 5% 25,000,000
3 FMBS - SERIES A 7.390% 5/11/2018 5/11/1993 7,000,000 54,364 1,227,883 5,717,753 9 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	7,000,000 3% 15,500,000 1% 7,000,000 3% 40,000,000 3% 25,000,000
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	3% 15,500,000 1% 7,000,000 5% 40,000,000 5% 25,000,000
	7,000,000 6% 40,000,000 5% 25,000,000
5 FMBS - SERIES A 7.180% 8/11/2023 8/12/1993 7,000,000 54,364 6,945,636 7	6% 40,000,000 5% 25,000,000
	5% 25,000,000
6 ADVANCE ASSOCIAT ¹ 2.412% ⁷ 6/1/2037 6/3/1997 40,000,000 1,296,086 (1,769,125) 40,473,039 2	
7 FMBS - SERIES 6.370% 6/19/2028 6/19/1998 25,000,000 158,304 188,649 24,653,047 6	% 90,000,000
8 5.45% SERIES 5.450% 12/1/2019 11/18/2004 90,000,000 1,192,681 - 239,400 - 88,567,919 5	/0 00,000,000
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	9% 150,000,000
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	150,000,000
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	1% 250,000,000
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	7% 250,000,000
13 3.89% SERIES 3.890% 12/20/2020 12/20/2010 52,000,000 385,129 6,273,664 45,341,207 5	52,000,000
14 5.55% SERIES 5.550% 12/20/2040 12/20/2010 35,000,000 258,834 5,263,822 29,477,345 6	35,000,000
15 4.45% SERIES 4.450% 12/14/2041 12/14/2011 85,000,000 692,833 10,557,000 73,750,167 5	9% 85,000,000
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	80,000,000
17 4.11% SERIES 4.110% 12/1/2044 12/18/2014 60,000,000 428,205 (5,429,000) 65,000,795 3	0% 60,000,000
18 4.37% SERIES 4.370% 12/1/2045 12/16/2015 100,000,000 590,761 9,383,299 90,025,940 5	7% 100,000,000
19 3.54% SERIES 3.540% 12/1/2051 12/15/2016 175,000,000 ⁴ 1,001,382 ³ 53,966,197 120,032,418 5	5% 175,000,000
20 Forecasted issuance 4.554% ⁸ 9/30/2047 9/30/2017 80,000,000 ₂ 800,000 ₃ 79,199,997 4	80,000,000
21	1,658,000,000
22	
23 Repurchase 5 7.74% 12/31/2017 6/30/2006 6,875,000 483,582 6,391,418 8	%
24 Repurchase 5 5.72% 3/1/2034 12/30/2009 17,000,000 1,916,297 15,083,703 6	%
25 Repurchase 5 6.55% 10/1/2032 12/31/2008 66,700,000 3,709,174 62,990,826 7	1%
26 IDAHO TOTAL DEBT OUTSTANDING AND COST OF DEBT AT December 31, 2017	1,658,000,000
27	=======================================
28 Adjusted Weighted Average Cost of Debt 5	5%
29	_

¹ Average Monthly Average Rate over a twelve month period

30

31 32

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² Forecasted issuance pursuant to the Company's internal forecast

³ The Company forecast issuance expenses of 1% based on historical costs

^{4 2016} debt issued in Dec 2016

⁵ Coupon Rate at the time of repurchase

⁶ Calculated using the Internal Rate of Return method

⁷ Forecasted variable interest rate, see p. 4 of this Exhibit

⁸ Forecasted Rates are based on forward rates from Thomson Reuters analysis tools plus an estimated credit spread and the estimated impact of interest rate swaps

AVISTA CORPORATION

Cost of Long-Term Variable Rate Debt Detail

December 31, 2017

1			Dec-16	Jan-17	Feb-17		Mar-17	Apr-17	May-17	J	Jun-17	Jul-1	7		Aug-17	Sep-17		Oct-17	7	Nov-17		Dec-17		Avg of
2	(a)		(b)	(b)	(c)		(d)	(e)	(f)		(g)	(h)			(i)	(j)		(k)		(1)		(m)		(o)
3	Trust Preferred*	\$40	,000,000	\$40,000,000	\$40,000,000)	\$40,000,000	\$40,000,000	\$40,000,000	\$-	40,000,000	\$40,0	00,000	5	\$40,000,000	\$40,000,0	000	\$40,00	0,000	\$40,000,0	000	\$40,000,	000 \$	40,000,000
4																								
5	Number of Days in Month		30	31	2	8	31	30	31		30		31		31		30		31		30		31	
6	Forecasted Rates Trust Preferred**		1.8057%	1.8057%	1.8057	6	2.0000%	2.2200%	2.2200%		2.2200%	2	.3200%		2.3200%	2.32	00%	2.5	5000%	2.50	00%	2.50	00%	
7	Trust Preferred Interest Expense	\$	60,189	\$ 62,195 \$	56,170	\$	68,889 \$	74,000	\$ 76,467	\$	74,000 \$		79,911 \$	\$	79,911 \$	77,	333	\$ 8	6,111	\$ 83,	333 \$	86,	111 \$	964,627
8																								
9																								
10				Coupon	Maturity		Settlement	Principal	Issuance	Los	ss/Reacq	Ne	t		Yield to	Outstandin	g	Effectiv	/e					
11	Description			Rate	Date		Date	Amount	Costs	E>	penses	Proce	eds		Maturity	12/31/2017	,	Cost						
12	(a)			(b)	(c)		(d)	(e)	(f)		(g)	(h)			(i)	(j)		(k)						
13	Trust Preferred			2.412%	6/1/203	7	6/3/1997 \$	40,000,000	\$ 1,296,086	\$	(1,769,125) \$	40,4	73,039		2.366% \$	40,000,0	000	\$ 94	6,269					
14																								

^{15 *}Original issue principal amount was \$50 million. The Company repurchased \$10 million of the securities outstanding.

^{16 **}Forecasted Rates are based on forward rates from Thomson Reuters analysis tools plus the 87.5 basis points pursuant to the debt agreement.

AVISTA CORPORATION

Capital Structure Reconciliation (dollars in thousands)

	10-K cap structure 10-K % 12/31/2016 12/31/2016 Adjustments				Adjusted Regulatory Balance 12/31/2016	Adjusted cap structure % 12/31/2016	2017 Activity	Adjusted Regulator Balance 12/31/201	y cap structure %
Short-term borrowings	120,000		(120,000)	a	-				
Long-term Debt									
Long-term debt Current portion of long-term debt and capital leases Debt to affiliated trust	\$ 1,678,717 3,287 51,547		\$ (140,717) (3,287) (11,547)	c	1,538,000 - 40,000		\$ 80,000	\$ 1,618, ¹	-
Total long-term debt	\$ 1,733,551	52.9%		\$	1,578,000	50.1%	\$ 80,000	\$ 1,658,	
Equity									
Total Avista Corporation stockholders' equity	\$ 1,648,727	47.1%	\$ (77,796)	e _\$	1,570,931	49.9%	\$ -	\$ 1,570,	931 48.7%

- a Short-term borrowings are inleuded as debt in the 10-K, but consistent with past practice are not included for regulatory cap structure
- b These adjustments are made to reflect our actual principal amount outstanding. We exclude amounts related to unamortized debt discount, and unamortized debt issuance costs and short-term debt reclassified as long-term debt. The amounts related to settled interest rate swaps, unamortized debt discount, and unamortized debt issuance costs are included as a cost of debt. Additionally, amounts related to capital leases and subsidiary long-term debt are excluded from Avista Utilities long-term debt.

Long Term Debt Adjustments (dollars in thousands):

Total	\$ (140,717)
Current portion of long-term debt and capital leases	\$ 3,287
Committed line of credit to be refinanced on a long-term basis	\$ -
Unsecured short-term loan to be refinanced on a long-term basis	\$ -
Unamortized long-term debt issuance costs	\$ 10,639
Unamortized Debt Discounts	\$ 792
Capital Lease Obligations	\$ (65,435)
AERC Long-Term Debt	\$ (15,000)
AEL&P Long-Term Debt	\$ (75,000)

- c Current portion of capital leases are inleuded as debt in the 10-K but consistent with past practice we are not included for regulatory cap structure
- d We hold \$11.547 million of these securities. The \$40 million adjusted balance relates to the current outstanding balance to third party investors.
- e The numbers provided in the 10-K do not include capital stock expense; in order to recover the costs incurred for issuing equity and accumulated other comprehensive loss; in order to reflect our actual equity balance. The investment in AERC is included as equity in the 10-K and is adjusted out for regulatory cap structure

 Equity Adjustments (dollars in thousands):
 12/31/2016

 Capital Stock Expense
 \$ 15,757

 Accumulated other comprehensive loss
 \$ 7,568

 Investment in AERC
 \$ (101,121)

 Total
 \$ (77,796)

- f Forecasted issuance of \$80 million in 2017.
- g Forecasted issuance of \$250 million and \$130 million and a maturity of \$272.5 million in 2018.

h Forecasted Equity Activity (dollars in thousands):

Change in equity in AERC Equity Activity

Total



12/31/2017

CONFIDENTIAL subject to Attorney's Certificate of Confidentiality

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

Pages 1 of 1

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Interest Rate Risk Management Plan Pages 1 of 9

