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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
 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

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.

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

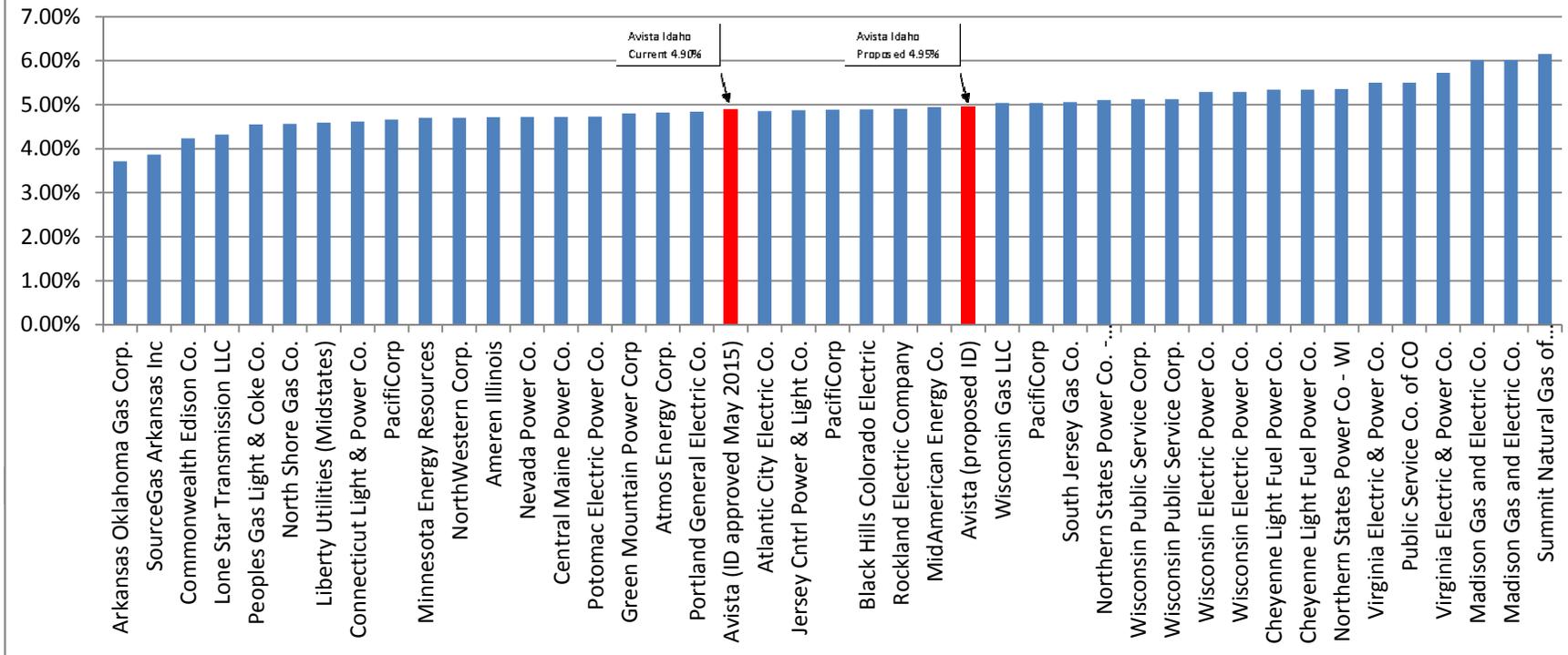
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Interest Rate Risk Management Plan

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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.