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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION ) CASE NO. AVU-E-16-03  
OF AVISTA CORPORATION FOR THE )  
AUTHORITY TO INCREASE ITS RATES )  
AND CHARGES FOR ELECTRIC SERVICE ) Exhibit No. 2  
TO ELECTRIC CUSTOMERS IN THE )  
STATE OF IDAHO ) MARK T. THIES  
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FOR AVISTA CORPORATION

(ELECTRIC)

**AVISTA CORPORATION**  
Long-term Securities Credit Ratings

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

(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, 2016**

	<u>Amount</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Component Cost</u>
Total Long-term Debt	\$ 1,543,000,000	50.0% <sup>(2)</sup>	5.67%	2.83%
Common Equity	\$ 1,593,310,328	50.0% <sup>(2)</sup>	9.90% <sup>(1)</sup>	4.95%
Total	<u>\$ 3,136,310,328</u>	<u>100%</u>		<u><b>7.78%</b></u>

**AVISTA CORPORATION**  
**Cost of Capital**  
**December 31, 2015**

	<u>Amount</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Component Cost</u>
Total Long-term Debt	\$ 1,493,000,000	50.7%	5.41%	2.74%
Common Equity	\$ 1,454,612,499	49.3%	9.50% <sup>(3)</sup>	4.68%
TOTAL	<u>\$ 2,947,612,499</u>	<u>100%</u>		<u><b>7.43%</b></u>

<sup>(1)</sup> Proposed return on common equity

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

<sup>(3)</sup> As approved by the Commission in Case AVU-E-12-08/AVU-G-15-01



**AVISTA CORPORATION**  
 Cost of Long-Term Variable Rate Debt Detail  
 December 31, 2016

1		Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Avg of
2	(a)	(b)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(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	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$ 40,000,000
4															
5	Number of Days in Month	31	31	29	31	30	31	30	31	31	30	31	30	31	
6	Forecasted Rates Trust Preferred**	1.2892%	1.2892%	1.2892%	1.5898%**	1.7240%**	1.7240%**	1.7240%**	1.8213%**	1.8213%**	1.8213%**	1.9322%**	1.9322%**	1.9322%**	
7	Trust Preferred Interest Expense	\$ 44,406	\$ 44,406	\$ 41,541	\$ 54,760	\$ 57,467	\$ 59,382	\$ 57,467	\$ 62,734	\$ 62,734	\$ 60,710	\$ 66,554	\$ 64,407	\$ 66,554	\$ 743,119
8															
9															
10		Coupon	Maturity	Settlement	Principal	Issuance	Gain/Reacq	Net	Yield to	Outstanding	Effective				
11	Description	Rate	Date	Date	Amount	Costs	Expenses	Proceeds	Maturity	12/31/2016	Cost				
12	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)				
13	Trust Preferred	1.86%	6/1/2037	6/3/1997	\$ 40,000,000	\$ 1,296,086	\$ (1,769,125)	\$ 40,473,039	1.816%	\$ 40,000,000	\$ 726,428				
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.														

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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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