

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-170485

DOCKET NO. UG-170486

EXH. MTT-8

MARK T. THIES

REPRESENTING AVISTA CORPORATION



Internal Audit Department Audit Report

DATE: October 26, 2017
TO: Pat Gorton, Jason Lang
CC: Mark Thies, Scott Morris, Tracy Van Orden
FROM: Marcus Garbarino
SUBJECT: Interest Rate Risk Management Review

Strategic Emphasis:

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- ✓ **Financial Performance**
Strengthen financial performance to remain a healthy company and an attractive investment
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Purpose:

As part of Internal Audit's 2017 Audit Plan approved by the Audit Committee on February 2, 2017, the objective of our review was to ensure interest rate derivative transactions entered into were done in accordance with the Company's Interest Rate Risk Management Plan and accurately recorded.

Procedures:

Internal Audit performed the following procedures:

- Obtained a general understanding of how the Interest Rate Risk Management Plan is administered and what controls are in place to ensure executed interest rate derivative transactions adhere to the Plan.
- Reviewed a sample of six interest rate derivative transactions entered into from 1/1/2014-6/30/2017 to ensure they complied with the Interest Rate Risk Management Plan in effect when the transaction occurred and they were accurately recorded.

Results:

- It appears that the Interest Rate Risk Management Plan has adequately documented guidelines to be followed by the Company when executing interest rate derivative transactions to hedge the financial exposures associated with interest rate uncertainty.
- Management is monitoring the Company's interest rate position timely and at a reasonable level of detail.
- Interest rate derivative transactions were transacted in compliance with the Interest Rate Risk Management Plan and accurately recorded.
- Internal controls related to the execution of interest rate derivative transactions are implemented and operating effectively.

Conclusion:

The Interest Rate Risk Management Plan appears to be appropriately documented and there are adequate controls in place to ensure executed interest rate derivative transactions are in compliance with the Interest Rate Risk Management Plan.