



Avista's Hedge Plan

November 16, 2017

Preliminary Hedge Plan

Preliminary Hedge Plan filed in October 2017 with the following components:

- Objective/Goals of Procurement Plan
- Risk Management Committee – Oversight and Control
- Programmatic Hedges (current) and development of Risk Responsive Hedge Tool (RRHT)
- Exposure Quantification – tracking various scenario outcomes for RRHT

Hedging Objectives and Goals

Mission

To provide a diversified portfolio of reliable supply and a level of price certainty in volatile markets.

- Avista cannot predict future market prices, however we use experience, market intelligence, and fundamental market analysis to structure and guide our procurement strategies.
- Avista's goal is to develop a plan that utilizes customer resources (storage and transportation), layers in pricing over time for stability (time averaging), allows discretion to take advantage of pricing opportunities should they arise, and appropriately manages risk.

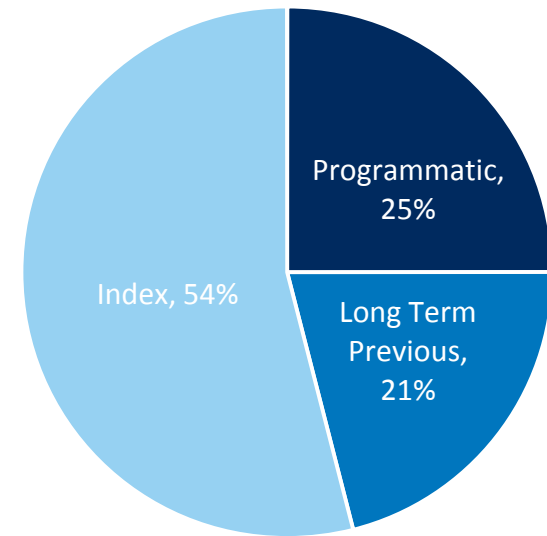
Procurement Plan

Current Portfolio

- Programmatic Hedging – 46%
- Index 54%

Future Portfolio

- Programmatic Hedging – X%
- Defensive Hedging – X%
- Index – X%



Strategic Initiatives:

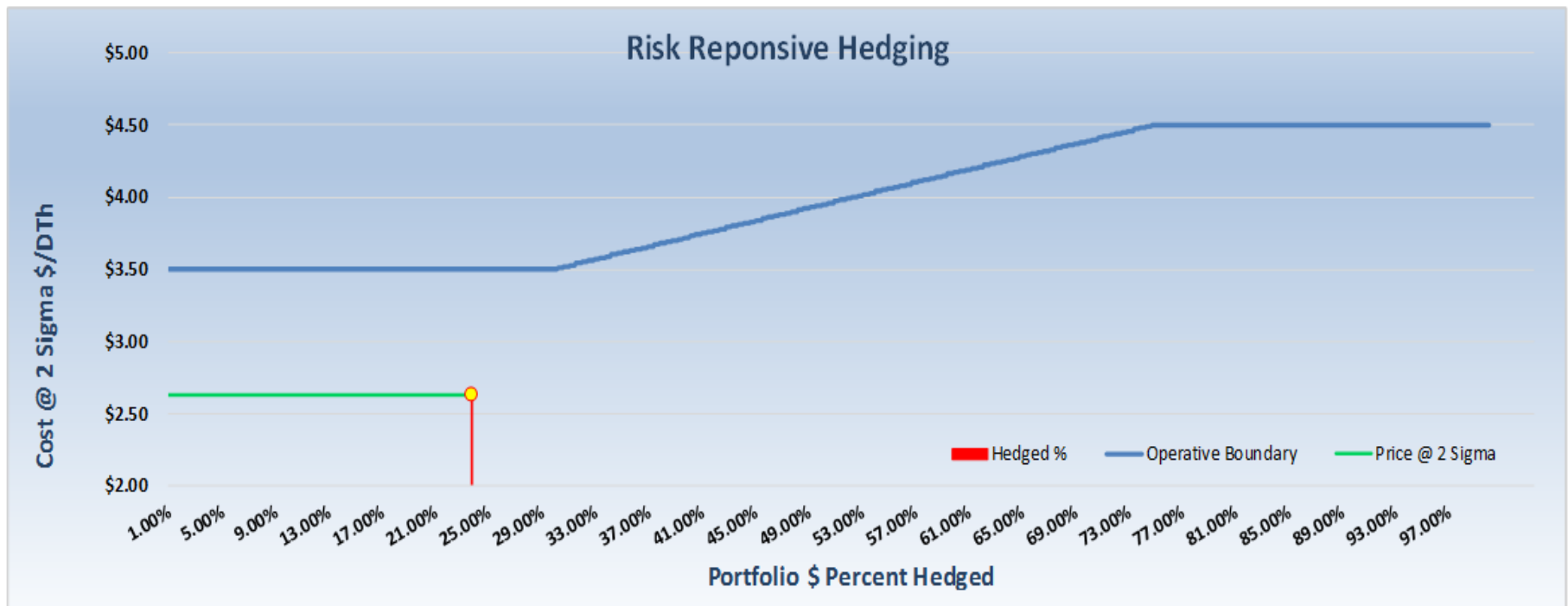
Storage Optimization
Transport/Basin Optimization

Risk Responsive Hedging Tool

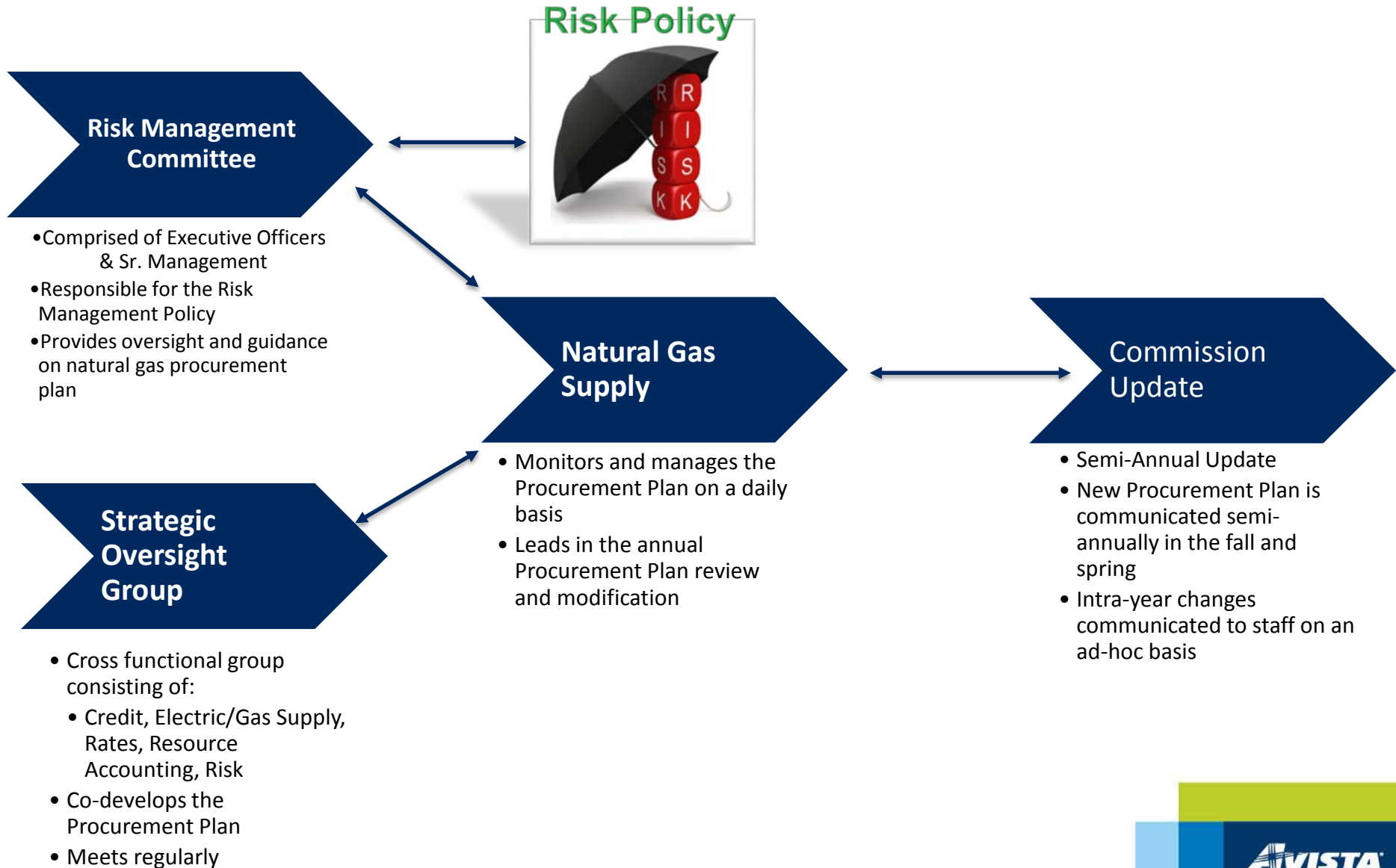
- Incorporates monthly financial positions, along with market volatility to determine VaR
- The RRHT is in addition to programmatic hedging
- Inputs: all utility purchase/sale transactions, estimated customer load, storage injections and withdrawals
- Currently in testing/evaluation phase
- Anticipate reducing the amount hedged programmatically

Exposure quantification

- The Program includes all utility purchase and sales transactions and estimated customer load
- Positions and market volatility are then used to calculate VaR by basin



Oversight and Control



Timeline and Interim Plan

*Revisit current hedging levels when a tool is put in place to help manage risk

