

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.



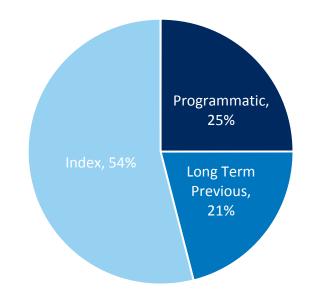
Procurement Plan

Current Portfolio

- Programmatic Hedging 46%
- Index 54%

Future Portfolio

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



Strategic Initiatives:

Storage Optimization Transport/Basin Optimization



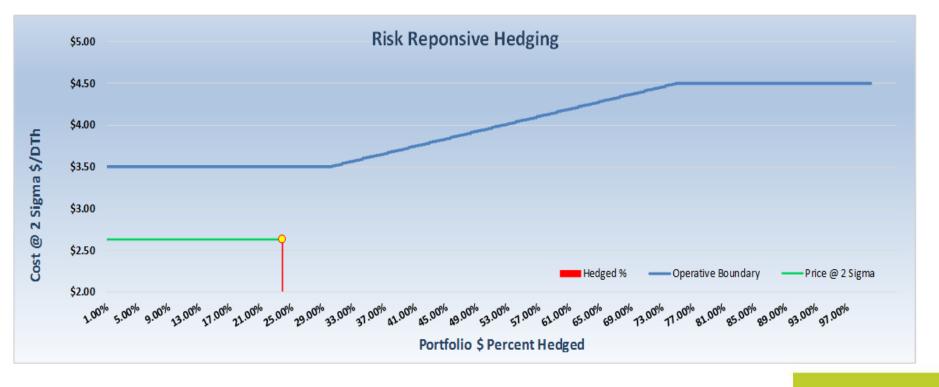
Risk Responsive Hedging Tool

- 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

Risk Management Committee



•Comprised of Executive Officers & Sr. Management

• Responsible for the Risk Management Policy

 Provides oversight and guidance on natural gas procurement plan

Strategic Oversight Group

- Cross functional group consisting of:
 - Credit, Electric/Gas Supply, Rates, Resource Accounting, Risk
- Co-develops the Procurement Plan
- Meets regularly

Natural Gas Supply

- Monitors and manages the Procurement Plan on a daily basis
- Leads in the annual Procurement Plan review and modification

Commission Update

- Semi-Annual Update
- New Procurement Plan is communicated semiannually in the fall and spring
- Intra-year changes communicated to staff on an ad-hoc basis



Timeline and Interim Plan

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

