

August 2018

Avista Corp. Cash Management Guidelines and Procedures

In order to efficiently manage cash at the corporate and subsidiary levels, minimize borrowing costs and maximize investment returns, the following procedures should be followed regarding cash management activity between Avista Corp, Avista Capital and Avista Capital Subsidiaries (AERC and its subsidiaries are excluded from these guidelines.)

I. Investment/Borrowing Policies

All excess subsidiary company cash will be managed at the Avista Corp. level. Cash will be transferred to the subsidiaries through Avista Capital to cover payables according to the guidelines set below. (Note: A Master Promissory Note in effect for any Subsidiary will supersede these guidelines.)

1. Avista Capital may maintain a money market account with a maximum balance of \$1,000,000, unless known payments are occurring within 30 days. This account may be used to fund subsidiary payables. Avista Capital cash balances over \$1,000,000 and up to the outstanding loan balance will be transferred to Avista Corp as a payment against the outstanding borrowings on the loan between Avista Corp and Avista Capital.
2. Avista Capital may borrow from Avista Corp., up to \$40MM, to cover subsidiary company cash needs in accordance with board-approved limits. Avista Capital may loan excess funds to Avista Corp upon receipt of appropriate approvals. Regulatory restrictions should be considered prior to transferring funds between the utility and non-regulated subsidiaries. The current guidance in Washington is WAC 480-100-244 and in Oregon it is Order No. 07-297.
3. Unless specifically stated in a master promissory note, all loans between companies are unsecured.
4. Subsidiaries with cash deficits may borrow from Avista Capital. Borrowings will be in accordance with each company's board-approved limits. Subsidiaries will repay or loan excess funds to Avista Capital.
5. Investment/Borrowing Rates Between Avista Corp. and Avista Capital:
 - a) Upon receiving appropriate approvals, excess Avista Capital cash may be invested with (loaned to) Avista Corp. at a rate equal to Avista Corp.'s avoided short-term borrowing cost, which is the short-term borrowing rate related to Avista Corp.'s credit facility (currently estimated at the one-month LIBOR plus 77.5 basis points). The rate will be reset monthly with the LIBOR rate in effect on the second business day of each month.

At times Avista Corp may have no outstanding borrowings under the credit facility. If there are no outstanding borrowings under the credit facility, excess cash should be utilized to pay down borrowings on other short-term borrowing instruments (if any) and the borrowing rate should be adjusted to the avoided short-term borrowing rate applicable to the borrowings that were re-paid.

At times, Avista Corp may have no outstanding cash borrowings on the credit facility or other short-term borrowing facilities. If there are no cash borrowings under any facility, excess cash should be invested until the funds can be utilized.

- b) Avista Capital may borrow from Avista Corp. up to \$40MM, subject to board-approved limits, at a rate equal to at least the Alternate Base Rate (as defined in the credit facility), currently estimated at the Prime rate. This rate will be reset at such time as the Agent bank on the Avista Corp. credit agreement changes the Prime rate or the margin is changed per the credit facility pricing grid.

6. Investment/Borrowing Rates Between Avista Capital and Subsidiary Companies:
Subsidiaries of Avista Capital which are wholly-owned and are not expected to seek outside investors within the next two years will not be charged interest on borrowings or receive interest on invested funds with Avista Capital. The following interest rate guidelines apply to all other subsidiaries:
- a) Subsidiary companies will borrow from Avista Capital at a rate equal to at least the Alternate Base Rate (as defined in the credit facility), currently estimated at the Prime rate. This rate will be reset at such time as the Prime rate is changed by the Agent bank on the Avista Corp. credit agreement changes the Prime rate or the margin is changed per the credit facility pricing grid.
 - b) Subsidiary company cash invested with (loaned to) Avista Capital will be at a rate equal to Avista Corp.'s avoided short-term borrowing cost, which is the short-term borrowing rate related to Avista Corp.'s credit facility (currently estimated at the one-month LIBOR plus 77.5 basis points). The rate will be reset monthly with the LIBOR rate in effect on the second business day of each month.
7. The Avista Corp. subsidiary accountant will maintain daily interest schedules of all borrowings and repayments between all subsidiary companies. Documentation will include the date and amount of the borrowing or repayment, the maturity date, if any, the applicable interest rate, and daily balances of all outstanding loans.

II. Subsidiary Cash Management Guidelines

1. Cash Balances

Subsidiary companies will keep a maximum of \$50,000 cash balance per book in their checking accounts at any time. Accurate up-to-date balances must be maintained and deposit information should be updated when funds are received. This information is available currently via Wells Fargo Commercial Electronic Office reports or through the Cash Manager for Avista Corp. Excess balances resulting from large deposits should be transferred to Avista Capital for investment or to pay down loan balances. Transfers of excess cash to Avista Capital may be incorporated in the weekly funding request for payables. Please contact the Avista Corp. Subsidiary Accountant for details.

2. Funding Requests from Avista Capital

Funding requests for ACH, in-bank transfers or wires must be sent to Accounts Payable and the Treasury team by 9:00 a.m. for that day's funding for wires and next day for ACH. For cost minimization, ACH or in-bank transfers are preferred. Vouchers, wires and ACH must be approved by an authorized approver for funding from Avista Capital. Funds will not be transferred without proper signatures.

Please note: For funding requests over \$500K please notify the Avista Corp. cash manager of the due date as far in advance as possible.

3. Emergency Funding

Emergency funding is generally initiated in the form of a wire. If a request is needed after 9:00 am but before 3:00 pm, this would be considered emergency and a phone call is necessary to Accounts Payable to request the funding. In addition an email with appropriate approvals should be sent to Accounts Payable and Treasury. Same day transfer of funds over \$50,000 may be accommodated but cannot be guaranteed. Contact should be made with the Subsidiary Accountant or Cash Manager for availability of same day funds.

All funding requests from subsidiaries, whose accounting function is not done at the corporate offices, must be approved by an authorized person at the subsidiary.

4. Intercompany payments

Intercompany payments between Avista Corp, Avista Capital and all Subsidiaries should be made electronically. (Electronically may encompass transfers between accounts when the accounts are at the same banking institution.) This includes payments for work orders, payroll and taxes.

These cash management guidelines and procedures will be reviewed at least annually, and at the time the Avista Corp. bank credit agreement is renewed.

Approved:

By: _____

CFO, Treasurer – Avista Corp.