BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	**DOCKETS UE-170485 and UG-170486 (*Consolidated*)**
Complainant,	
v.	
AVISTA CORPORATION d/b/a AVISTA UTILITIES,	
Respondent.	

EXHIBIT TO
TESTIMONY OF

Chris R. McGuire

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Avista Response to UTC Staff Data Request No. 271

October 27, 2017

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	10/05/2017
CASE NO.:	UE-170485 & UG-170486	WITNESS:	Mark Thies
REQUESTER:	UTC Staff	RESPONDER:	Lauren Pendergraft
TYPE:	Data Request	DEPT:	Finance
REQUEST NO.:	Staff - 271	TELEPHONE:	(509) 495-2998
		EMAIL:	lauren.pendergraft@avistacorp.com

REQUEST:

Referring to Avista's response to UTC Staff Data Request No. 98, Attachment B, the Company appears to use value-at-risk (VaR) calculations to inform hedge decisions.

Please explain specifically how Avista uses VaR calculations to inform its decision on whether and when to execute a hedge. As part of your response, please explain how VaR calculations are used to evaluate the risk of exceeding upside cost tolerances and hedge loss tolerances.

RESPONSE:

Attachment B to Staff Data Request 98 was an analysis performed to reflect the bounds of variability that were present in the market at the time each hedge was transacted. It was not used to inform hedge decisions. As shown in Staff_Data_Request_98, this analysis calculates the volatility present in the interest rate market at the time each of the seven hedges were executed demonstrating the $72 million of interest rate risk to the customers.

Statistical calculations based on historical market volatility, confidence interval, and a time horizon are used to establish the beginning Upper and Lower Control Limits. Staff_DR_271 Attachment A is the calculations to support the 8/15/14 (3.39% swap rate) trade (as requested in Staff_DR_273).

2016 Window