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IDAHO PUBLIC
UTILITIES COMMISSION



September 7, 2017

Diane Hanian
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

Re: **Case No. AVU-G-17-03**
Natural Gas Fixed Cost Adjustment Annual Rate Filing of Avista Corporation

Dear Ms. Hanian:

Enclosed for electronic filing with the Commission is a copy of the Press Release issued in Case No. AVU-G-17-03. The Press Release was issued on September 1, 2017. Please direct any questions on this matter to me at (509) 495-8620.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Ehrbar", with a long horizontal flourish extending to the right.

Patrick Ehrbar
Senior Manager, Rates and Tariffs

Enclosures



Contact:

Media: Casey Fielder (509) 495-4916 casey.fielder@avistacorp.com

Investors: Jason Lang (509) 495-2930 jason.lang@avistacorp.com

Avista 24/7 Media Access (509) 495-4174

Avista Requests Natural Gas Price Changes for Idaho Customers in Annual Cost Adjustment Filings

Requests would result in change in natural gas prices effective Nov. 1, 2017

SPOKANE, Wash. – Sept. 1, 2017, 1:05 p.m. PST: Avista (**NYSE: AVA**) has made annual rate adjustment filings with the Idaho Public Utilities Commission (IPUC or Commission) that if approved, are designed to increase overall natural gas revenues by approximately \$0.1 million or 0.3 percent effective Nov. 1, 2017. These annual filings are separate from the general rate case request filed in June 2017 regarding base retail rates in Idaho, have no impact on the company's earnings, and are not related to the proposed acquisition of Avista by Hydro One.

Purchased Gas Cost Adjustment (PGA)

The first rate adjustment is Avista's annual Purchased Gas Cost Adjustment (PGA). The PGA is filed each year to balance the actual cost of wholesale natural gas purchased by Avista to serve customers with the amount included in rates. This includes the natural gas commodity cost as well as the cost to transport natural gas on interstate pipelines to Avista's local distribution system. If approved, Avista's request is designed to decrease natural gas revenues by \$1.7 million or 2.7 percent.

The primary drivers for the requested PGA rate reduction include continued low natural gas commodity costs due to the continued high production levels of natural gas, and a reduction in the cost to transport natural gas to Avista's distribution system.

About 40 percent of an Avista natural gas customer's bill in Idaho is the combined cost of purchasing natural gas on the wholesale market and transporting it to Avista's system. These costs fluctuate up and down based on market prices, and are not marked up by Avista. The remaining 60 percent covers the cost of delivering the natural gas -- the equipment and people needed to provide safe and reliable service.

Natural Gas Fixed Cost Adjustment

The second rate adjustment is related to Avista's natural gas fixed cost adjustment mechanism (FCA). The FCA mechanism is designed to break the link between a utility's revenues and customers' energy usage. Avista's actual revenue, based on therm sales, will vary, up or down, from the level included in a general rate case and approved by the Commission. This could be caused by changes in weather, energy conservation or the economy. Generally, under the FCA Avista's natural gas revenues recorded each month based on the number of customers, rather than therm sales. The difference between revenues based on sales and revenues based on the number of customers is surcharged or rebated to customers beginning in the following year. For

natural gas operations, the rate adjustment is designed to increase revenues by approximately \$1.8 million, or 3.0 percent. This rate adjustment is driven primarily by a lower level of customer usage in 2016 due in part to a warmer than normal winter.

Customer Bills

If the request is approved, Avista residential customers using an average of 61 therms per month could expect their monthly bill to increase from \$51.10 to \$51.38, beginning Nov. 1, 2017, an increase of \$0.28 or 0.6 percent.

PGA rate adjustments are generally applied based on a uniform cents per therm change for all rate schedules. Because there are differences in the basic charges and energy charges between the various rate schedules, the PGA percentage decreases for each customer rate schedule are different. The increase related to the FCA filing, however, is 3.0% for Schedule 101 and Schedule 111.

The net effect of the requested natural gas rate changes by rate schedule are:

General Service - Schedule 101	0.5%
Large General Service - Schedules 111 & 112	-0.8%
Interruptible Service - Schedules 131 & 132	0.0%
Transportation Service - Schedule 146	<u>0.0%</u>
Overall	0.3%

Rate Application Procedure

Avista's applications are proposals, subject to public review and a Commission decision. Copies of the applications are available for public review at the offices of both the Commission and Avista, and on the Commission's website (www.puc.idaho.gov). Customers may file with the Commission written comments related to Avista's filings. Customers may also subscribe to the Commission's RSS feed (<http://www.puc.idaho.gov/rssfeeds/rss.htm>) to receive periodic updates via e-mail about the case. Copies of rate filings are also available on Avista's website at www.myavista.com/rates.

About Avista Corp.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. [Avista Utilities](#) is our operating division that provides electric service to 378,000 customers and natural gas to 342,000 customers. Its service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.6 million. Alaska Energy and Resources Company is an Avista subsidiary that provides retail electric service in the city and borough of Juneau, Alaska, through its subsidiary [Alaska Electric Light and Power Company](#). Avista stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.avistacorp.com.

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report



on Form 10-K for the year ended Dec. 31, 2016 and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.

SOURCE: Avista Corporation

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