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July 28, 2017

Advice No. 17-02-G/UG-339 (Purchased Gas Cost Adjustment Filing)

Public Utility Commission of Oregon
201 High St SE
Suite 100
Salem, OR 97301

Attention: Filing Center

Pursuant to OAR 860-022-0070, ORS 757.210 and Order Nos. 08-504, 11-196 and 14-238 in Docket No. UM 1286, Avista Utilities hereby submits an original and 2 copies of the following listed tariff sheets applicable to its Oregon natural gas operations along with three (3) copies of supporting workpapers (which are not a part of the official filing).[1] The Company requests that the following tariff sheets become effective on November 1, 2017:

Oregon PUC Sheet No.	**Title of Sheet**	**Canceling Oregon PUC Sheet No.**
Twelfth Revision Tariff Sheet 461	Purchased Gas Cost Adjustment Provision	Supplemental Eleventh Revision Tariff Sheet 461
Tenth Revision Tariff Sheet 461A	Purchased Gas Cost Adjustment Provision	Supplemental Ninth Revision Tariff Sheet 461A
Seventh Revision Tariff Sheet 462	Gas Cost Rate Adjustment	Supplemental Sixth Revision Tariff Sheet 462

This filing is a Purchased Gas Cost Adjustment (PGA) to change rates within Avista Utilities' natural gas service schedules to reflect the projected cost of natural gas pursuant to tariff Schedule 461, "Purchased Gas Cost Adjustment Provision". Schedule 461 sets forth the estimated purchased natural gas costs for the forthcoming year (November 1, 2017 through October 1, 2018). The difference between the actual cost of natural gas purchased and the amount collected from customers (i.e., the

[1] The Company has enclosed a disk which contains confidential workpapers.

amortization rate pertaining to the PGA balancing account) are passed through to customers through Schedule 462, "Gas Cost Rate Adjustment".

Table Nos. 1 through 3 below summarize the changes in the 1) forward looking commodity costs included in Schedule 461, 2) the demand costs included in Schedule 461, and 3) the combined changes to Schedule 461 (both commodity and demand):

Table No. 1 - Schedule 461 Commodity

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	$0.24529	$0.24618	**$0.00089**
440	$0.24529	$0.24618	**$0.00089**

Table No. 2 - Schedule 461 Demand

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	$0.19759	$0.18539	**($0.01220)**
440	$0.00000	$0.00000	**$0.00000**

Table No. 3 - Schedule 461 Commodity + Demand

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	$0.44288	$0.43157	**($0.01131)**
440	$0.24529	$0.24618	**$0.00089**

Commodity Costs (Schedule 461)

As shown in the Table No. 1 above, the proposed weighted average cost of gas ("WACOG") is 24.618 cents per therm, a slight increase of 0.089 cents per therm from the present WACOG of 24.529 cents per therm included in customer's rates. The Commodity WACOG is generally flat due to the continued high natural gas production levels and an abundance of natural gas in storage.

Avista has been hedging natural gas on both a periodic and discretionary basis throughout 2016-2017 for the forthcoming PGA year. Approximately 31% of estimated annual load requirements for the PGA year (November 2017 through October 2018) has been hedged at a fixed price, comprised of: 1) volumes hedged for a term of one year or less and 2) volumes from prior multi-year hedges. Through June 30, 2017, the Company's executed hedge costs is $2.671 per dekatherm ($0.2671 per therm).

As required by Commission Order 14-238, the Company used a 60-day (ending June 30, 2017) historical average of forward prices weighted by supply basin to determine the estimated cost associated with index/spot volumes. These index/spot volumes represent approximately 69% of estimated annual volumes and the annual weighted average price for these volumes is $2.189 per dekatherm ($0.2189 per therm).

The information contained in the Company's responses to "Natural Gas Portfolio Development Guidelines" describes the Company's Natural Gas Procurement Plan ("Procurement Plan"). The

Company's Procurement Plan uses a diversified approach to procure natural gas for the upcoming year. While the Procurement Plan generally incorporates a structured approach for the hedging portion of the portfolio, the Company exercises flexibility and discretion in all areas of the plan based on changes in the wholesale market. The Company meets with Commission Staff quarterly[2] to discuss the state of the wholesale market and the status of the Company's Procurement Plan, among other things. Should there be a deviation from the Procurement Plan due to material changes in market dynamics etc., the Company documents and communicates any such changes with the Company's Risk Management Committee and provides updates to Commission Staff.

Demand Costs (Schedule 461)

Demand costs reflect the cost of pipeline transportation to the Company's system, as well as fixed costs associated with natural gas storage. As shown in the Table No. 2 above, demand costs are expected to decrease from $0.19759 per therm to $0.18539, for a proposed reduction of approximately $0.01220 per therm. This reduction is primarily due to new transportation rates for Williams Northwest Pipeline effective both on January 1, 2018 and October 1, 2018.[3]

Amortization of Deferral Accounts (Schedule 462)

Table Nos. 4 through 6 below summarize the changes in the commodity and demand amortization rates included in Schedule 462, and the combined change to Schedule 462 (both commodity and demand):

Table No. 4 - Schedule 462 Commodity Amortization

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	($0.08273)	($0.05278)	**$0.02995**
440	($0.08273)	($0.05278)	**$0.02995**

Table No. 5 - Schedule 462 Demand Amortization

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	$0.01251	($0.02580)	**($0.03831)**
440	$0.00000	$0.00000	**$0.00000**

Table No. 6 - Schedule 462 Commodity + Demand Amortizations

Rate Schedule	Present	Proposed	Change
410, 420, 424, 444	($0.07022)	($0.07858)	**($0.00836)**
440	($0.08273)	($0.05278)	**$0.02995**

[2] The Northwest Industrial Gas Users (NWIGU) and Citizens' Utility Board (CUB) are invited to, and attend, each Quarterly meeting.
[3] The Williams Northwest Pipeline Settlement agreement is pending approval before the Federal Energy Regulatory Commission (FERC).

For the Commodity portion of the amortization rate, actual wholesale natural gas prices were lower than the level approved in the Company's 2016 PGA.[4] Reduced commodity rates, combined with optimization benefits, resulted in an excess of revenue collected from customers compared to the Company's costs. This created a rebate deferral balance of approximately $4.6 million (compared to $5.8 million in present rates). In addition, higher demand due to colder than normal weather, resulted in the commodity amortization balance to be almost fully amortized, with a small balance of $37,000 remaining. The combination of the current commodity deferrals and residual account balance resulted in an amortization rebate rate of $.05278 per therm compared to the present commodity rebate amortization rate of $0.08273, an increase of $0.02995.

For the demand portion of the amortization rate, the deferral balance as of June 30, 2017 is a rebate of approximately $2.2 million (compared to a surcharge of approximately $995,000 in present rates). The colder than normal weather for the Pacific Northwest increased demand, resulting in an over-collection of demand.

Combining the commodity and demand amortization balances results in an overall reduction in the amortization rates included in Schedule 462 as shown in Table No. 6 above.

3% Test

Pursuant to ORS 757.259 and OAR 860-027-0300, the overall annual average rate impact of the amortizations authorized under the statutes may not exceed three percent of the natural gas utility's gross revenues for the proceeding calendar year, unless the Commission finds that allowing a higher amortization rate is reasonable under the circumstances. As shown on Attachment C of the Company's PGA workpapers, total gross revenue for calendar year 2016 was $156,148,758 and Total Prior Period Gas Cost Deferral True-up is a rebate of $6,762,827. The resulting annual average rate impact from the PGA amortization is (4.3%).[5] Including the effect of the Company's Natural Gas Decoupling Amortization (Advice No.17-05-G), the resulting annual average rate impact from the Company's qualifying amortization is (2.9%).[6]

Other Information

The PGA filing reflects an overall annual revenue decrease of $1.5 million, or 1.6% effective November 1, 2017. Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers affected by the four filings with an effective date of November 1, 2017, and the annual revenue before and after the impact of the proposed rate changes, are as follows:

[4] Per Order 13-11-G, Avista created an account (191715) that accrues, with interest, 90% of the additional revenues received from Collins Forest Products after comparing their prior Special Contract rates to the new transitional rates approved in the above referenced Order. As per the Order, the accrued balance ($31,583.07) is being returned to ratepayers through this PGA rate adjustment.

[5] Please see attachment C included in the Purchase Gas Adjustment workpapers.

[6] The effects of the Company's Intervenor Funding rate adjustment (Advice No. 17-03-G) is excluded from the 3% test.

Rate Schedule	**Average Number of Customers**
Schedule 410	89,839
Schedule 420	11,779
Schedule 424	86
Schedule 440	35
Schedule 444	4
Schedule 456	38

Sch No	Description	Present Revenues	Proposed Revenues	Revenue Incr (Decr)	Percent Incr (Decr)	Use (Therms)	Present Monthly Cost	Proposed Monthly Cost	Change to Monthly Cost	% Change Monthly Cost
410	Residential	$ 60,479,089	$ 59,484,107	$ (994,982)	-1.6%	47	$ 56.10	$ 55.40	$ (0.70)	-1.3%
420	General	$ 27,258,404	$ 26,710,461	$ (547,943)	-2.0%	197	$ 192.78	$ 188.90	$ (3.88)	-2.0%
424	Large General	$ 2,419,566	$ 2,333,612	$ (85,954)	-3.6%	4,240	$ 2,347.66	$ 2,264.26	$ (83.40)	-3.6%
				$ -						
440	Interruptible	$ 1,259,259	$ 1,397,769	$ 138,510	11.0%	10,592	$ 2,969.70	$ 3,296.34	$ 326.65	11.0%
				$ -						
444	Seasonal	$ 139,285	$ 134,520	$ (4,765)	-3.4%	5,155	$ 2,963.52	$ 2,862.12	$ (101.40)	-3.4%

After combining the impact of this PGA filing with the three other regulatory filings which also have a November 1, 2017 effective date[7], a residential customer using an average of 47 therms a month could expect their bill to *decrease* by $0.73, or 1.3 percent, for a revised monthly bill of $55.37 effective November 1, 2017.

Below is a table showing the net impact to the Company's customers, by rate schedule, inclusive of all of the filings made by the Company that have a November 1, 2017 effective date:

Rate Schedule	**Proposed Rate Change[8]**
Schedule 410	(1.3)%
Schedule 420	(1.5)%
Schedule 424	(2.6)%
Schedule 440	19.3%
Schedule 444	(2.5)%
Schedule 456	(1.2)%

Included with the original filing is the information in response to the Natural Gas Portfolio Development Guidelines and the PGA Filing Guidelines, as approved by the Commission in Order No. 09-248 and as amended in Order No. 10-197, Order No. 11-196 and Order No. 14-238. The Company will provide notice to customers via newspaper advertisement with this updated PGA filing. A media release was released coincident with the Company's initial filing in July 2017.

[7] On July 28, 2017, Avista filed to update effective November 1, 2017 Schedule 476 (Intervenor Funding Schedule - Advice No. 17-03-G), Schedule 477/478/479 (DSM/Residual Account/SB408, Advice No. 17-04-G), and Decoupling Mechanism – Natural Gas (Advice No. 17-05-G). The net effect of all filings is a revenue reduction of $1.1 million or 1.1%.

[8] Includes filed rate changes to Schedules 461, 462, 475,476, 477, 478, and 479.

Please direct any questions regarding this filing to Patrick Ehrbar at (509) 495-8620 or Annette Brandon at (509) 495-4324.

Sincerely,

Kelly Norwood

Kelly O. Norwood
Vice President, State and Federal Regulation

November 1, 2017
As of July 28, 2017
(As filed – these are not approved rate changes)

1	**Company**	**Avista**	
2	**Docket Numbers**	UG-399	
3	**Advice No.**	17-02-G	
4	**Principal Analysts**	Lisa Gorsuch	
5	**Current Customer Charge - Residential ($)**	$9.00	
6	**Average Monthly Therm Use (Residential)**	47	
7	**Current Energy Charge/Rate (dollars/therm)**	Billing - $1.00381 Base - $0.58062	
8	**PGA Base Gas Cost Change - Residential (dollars/therm)**	$0.00089	Commodity Only – including revenue sensitive
9	**Other Temporary Rate Increments - Residential (dollars/therm)**	($0.01220) Demand ($0.00836) Amort	Demand, Amortization, including revenue sensitive
10	**Permanent Base Rate Adjustment – Residential (dollars/therm)**	$0.00	
11	**Overall Change - Residential Rate (dollars/therm)**	($0.01967)	Gas, Demand and Amortization
12	**Proposed Tariff Rate - Residential (dollars/therm)**	$0.98837	Including all filings (Gas and Non-gas) – See Attachment B in workpapers
13	**Average monthly bill change for typical residential customer ($/bill on an annual basis)**	($0.73)	Including all filings (Gas and Non-gas) – See Attachment D in workpapers
14	**Overall Change - Residential Revenue (%)**	(1.5%)	Including all filings (Gas and Non-gas) – See Attachment D in workpapers
15	**Overall Change – Commercial & Industrial firm (%)**	Commercial = (1.7%) Industrial = (2.7%)	Including all filings (Gas and Non-gas) – See Attachment D
16	**WACOG (dollars/therm) – not revenue-sensitized**	$0.23837	
	Comments – Other (continued)		

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

AVISTA UTILITIES
ADVICE NO. 17-02-G

Tariff Sheets

July 28, 2017

SCHEDULE 461

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

APPLICABILITY:

This schedule applies to all schedules for natural gas sales service within the entire territory served by the Company in the State of Oregon. The definitions and provisions described herein shall establish the natural gas costs for Purchased Gas Adjustment (PGA) deferral purposes on a monthly basis.

PURPOSE:

The purpose of this provision is to allow the Company, on established Adjustment Dates, to adjust rate schedules for changes in the cost of gas purchased in accordance with the rate adjustment provisions described herein.

RATE:

(a) The rates of gas Schedules 410, 420, 424 and 444 are to be increased by $0.43157 per therm in all blocks of these rate schedules. (R)

(b) The rate of gas Schedule 440 is to be increased by $0.24618 per therm in all blocks of these rate schedules. (I)

(c) The rates of transportation Schedule 456 are to be increased by $0.0000 per therm in all blocks.

A. DEFINITIONS:

1. Actual Commodity Cost: The natural gas supply costs for commodity actually paid for the month, including Financial Transactions, fuel use, and distribution system lost and unaccounted for natural gas (LUFG) plus Gas Storage Facilities withdrawals, plus or minus the cost of gas associated with pipeline imbalances, plus propane costs, plus odorization charges, less Commodity Off-System Sales Revenues received during the month, plus actual Variable Transportation Costs, plus commodity-related reservation charges, less all transportation demand charges embedded in commodity costs.

2. Commodity Off-System Sales Revenues: Revenues received from the sale of natural gas to a party other than the Company's Oregon sales customers less costs associated with the sales transactions.

3. Variable Transportation Costs: Variable transportation costs, including pipeline volumetric charges and other variable costs related to volumes of commodity delivered to sales customers.

4. Actual Non-Commodity Cost: Actual Non-Commodity gas costs shall be equal to actual Demand Costs, less actual Capacity Release Benefits, plus or minus actual pipeline refunds or surcharges.

5. Demand Costs: Fixed monthly pipeline costs and other demand-related natural gas costs such as capacity reservation charges, plus any transportation demand charges embedded in commodity cost.

SCHEDULE 461 (continued)

PURCHASED GAS COST ADJUSTMENT PROVISION – OREGON

6. Capacity Release Benefits: This component includes revenues associated with pipeline capacity releases. The benefits to Customers, through the monthly PGA deferrals, shall be 100% of the capacity release revenues up to the full pipeline rate, and 80% of the capacity release revenues in excess of full pipeline rates. Capacity release revenues shall be quantified on a transaction-by-transaction basis.

7. Estimated Weighted Average Cost Of Gas (WACOG): The estimated WACOG is calculated by the following formula: (Forecasted Purchases at Adjusted Contract Prices) divided by forecasted sales.

a. "Forecasted Purchases" means November 1 – October 31 forecasted sales, plus a percentage for "Distribution System Unaccounted for Gas."
b. "Distribution System Unaccounted for Gas" means the 5-year average of actual unaccounted for gas, not to exceed 2%.
c. "Adjusted Contract Prices" means contract prices that are adjusted by each associated Canadian pipeline's published (closest to August 1) fuel-in-kind and line loss amount provided for by tariff, and by each associated U.S. pipeline's tariffed rate.

The Estimated WACOG per therm is as follows:

With Gross Revenue Factor	$0.24618	(I)
Without Gross Revenue Factor	$0.23837	(I)

8. Estimated Non-Commodity Cost per Therm: The estimated Non-Commodity Cost per therm shall be equal to estimated Demand Costs, less estimated Capacity Release Benefits, plus or minus estimated pipeline refunds or surcharges, divided by November 1 – October 31 forecasted sales.

The Estimated Non-Commodity Cost per therm is as follows:

With Gross Revenue Factor	$0.18539	(R)
Without Gross Revenue Factor	$0.17951	(R)

9. Forecasted Monthly Calendar Sales Volumes: Forecasted billed sales therms, adjusted for estimated unbilled therms, for Schedules 410, 420, 424, 440, and 444.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 462

GAS COST RATE ADJUSTMENT – OREGON

APPLICABILITY:

This schedule applies to all schedules for natural gas sales service within the entire territory served by the Company in the State of Oregon.

PURPOSE:

The purpose of this provision is to allow the Company to pass through the differences between the actual cost of gas purchased and transported for customer usage and the amount collected from customers. These differences are accumulated in a sub-account of Account 191 for later refund or surcharge to customers.

RATE:

(a) The rates of gas Schedules 410, 420, 424 and 444 are to be decreased by $0.07858 per therm. (R)

(b) The rate of gas Schedule 440 is to be decreased by $0.05278 per therm. (I)

AMORTIZATION OF ACCOUNT 191 SUB-ACCOUNT DEFERRALS:

The Account 191 sub-account deferred balances approved for surcharge or refund to customers shall include interest calculated on a monthly basis using the interest rate(s) approved by the Commission.

The surcharge or refund rate shall be adjusted annually as part of the annual Purchased Gas Adjustment (PGA) filing.

AMOUNT OF ADJUSTMENT:

The amount of adjustment to be made to customers' rates shall consist of the sum of the changes in the Embedded Commodity Cost and Non-Commodity Cost deferral accounts and the change in amortization rates of the Account 191 sub-accounts, as well as other gas cost related deferral accounts as the Commission may approve.

GENERAL RULES AND REGULATIONS:

This schedule is subject to the General Rules and Regulations contained in this tariff and to those prescribed by regulatory authorities. This schedule is an automatic adjustment clause (PGA) as described in ORS 757.210(1) and is subject to the customer notification requirements as described in OAR 860-022-0017.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

AVISTA UTILITIES
ADVICE NO. 17-02-G

PRESS RELEASE
(DRAFT)

July 28, 2017

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Avista Requests Natural Gas Rate Decrease for Oregon Customers in Annual Cost Adjustment Filings

Request reflects change in the wholesale cost of natural gas included in customer rates

SPOKANE, Wash. – July 28, 2017, 1:05 p.m. PDT: Avista's **(NYSE: AVA)** customers in Oregon would see a decrease in their natural gas rates effective Nov. 1, 2017 if the Public Utility Commission of Oregon (OPUC or Commission) approves the company's annual rate adjustment filings. These annual filings are required, 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 Purchased Gas Cost Adjustment (PGA). PGAs are 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 $1.5 million or 1.6 percent.

The primary drivers for the requested 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 Oregon 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 Decoupling
The second rate adjustment is related to Avista's natural gas decoupling mechanism. Decoupling is a mechanism 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 decoupling natural gas revenues are adjusted 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.

If approved, Avista's request is designed to increase natural gas revenues by $2.1 million or 2.3 percent. This rate adjustment is driven primarily by a lower level of customer usage in 2016, due in part to warmer than normal weather in 2016.

Energy Efficiency

The third rate adjustment is related primarily to the funding of Avista's natural gas energy efficiency programs. Traditionally, Avista would defer the costs of providing energy efficiency programs, and would later surcharge customers to recover those costs. Beginning in May 2016, the Commission approved a change to the way Avista funds its energy efficiency programs, switching from the deferral and surcharge approach, to a more real-time collection of funds necessary to administer energy efficiency programs through current rates. In November 2016, the Commission approved rates designed to recover the final deferred energy efficiency costs. Those costs are projected to be recovered by Nov. 1, 2017. Also included in this filing are smaller rate adjustments related to prior deferred rate adjustments. If approved, Avista's request is designed to decrease natural gas revenues by approximately $1.7 million or 1.7 percent.

Customer Bills

If the three requests are approved, along with another smaller rate adjustment associated with intervenor funding, Avista residential customers using an average of 47 therms per month could expect their bill to decrease by $0.73, or 1.3 percent, for a revised monthly bill of $55.37 beginning Nov. 1, 2017. Overall, Avista's natural gas revenues would decrease by $1.1 million or 1.1 percent.

The percentage change for natural gas customers varies by rate schedule and depends on how much energy a customer uses.

Avista serves approximately 99,000 natural gas customers in Oregon.

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 379,000 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 March 31, 2017.

SOURCE: Avista Corporation

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