**Avista Corp.**
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December 22, 2017

**Advice No. 17-10-G/UG-XXX ("Out of Cycle" 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 for electronic filing the following listed tariff sheets applicable to its Oregon natural gas operations along with three (3) copies of confidential supporting workpapers (which are not a part of the official filing).[1] The Company requests that the following tariff sheets become effective on January 26, 2018:

| Oregon PUC Sheet No. | Title of Sheet | Canceling Oregon PUC Sheet No. |
|---|---|---|
| Thirteenth Revision Tariff Sheet 461 | Purchased Gas Cost Adjustment Provision | Supplemental Twelfth Revision Tariff Sheet 461 |
| Eleventh Revision Tariff Sheet 461A | Purchased Gas Cost Adjustment Provision | Supplemental Tenth Revision Tariff Sheet 461A |

This filing reflects the Company's proposed "Out of Cycle" Purchased Gas Cost Adjustment (PGA) to pass through to customers changes in the estimated cost of natural gas (Schedule 461) for the period January 1, 2018 through October 31, 2018. The revenue change for the ten months

[1] The Company has enclosed a disk which contains confidential workpapers in Attachment "Oregon PGA Index and Hedge Support" which contain forward looking index prices and executed hedge details. The Attachment "Oregon PGA Workpapers" contains all of the pages included in the November 2017 filing, however, only the first five pages with changes highlighted in blue are updates for this filing.

reflected in this filing is a *decrease* of $2.5 million, or 3.5%. Below is a table which summarizes the proposed change by rate schedule:

**Table No. 1 - Schedule 461 Commodity**

| Rate Schedule | Present | Proposed | Change |
|---|---|---|---|
| 410, 420, 424, 444 | $0.24036 | $0.20072 | **($0.03964)** |
| 440 | $0.24036 | $0.20072 | **($0.03964)** |

**Commodity Costs (Schedule 461)**

In Order No. 17416 in Docket No. UG 339, the Commission approved the Company's annual PGA with a November 1, 2017 effective date. In that filing, the Company's commodity weighted average cost of gas ("Commodity WACOG") was reduced by approximately $0.00493 per therm, from $0.24529 per therm to $0.24036 per them (including revenue sensitive costs). As discussed in that filing, the overall reduction in the Commodity WACOG was the result of continued high natural gas production levels and an abundance of natural gas in storage. These factors have continued to put further downward pressure on wholesale natural gas prices. In order to provide customers with the benefit from this reduction during the winter heating season, the Company proposes to reduce the Commodity WACOG from the $0.24036 per therm embedded in current rates to $0.20072 per therm for the remainder of the PGA year, representing a decrease of $0.03964 per therm.

The Company calculated the proposed Commodity WACOG of $0.20072 per therm by adjusting just two items. First, in accordance with guidance provided in UM1286, the Company used a 60-day historical average of forward prices and supply basins (as of December 20, 2017) to develop an estimated cost associated with index purchases. The estimated monthly volumes to be purchased by basin are multiplied by the 60-day average forward price for the corresponding month and basin. The weighted average price for these volumes is $1.647 per dekatherm ($0.165 per therm). The weighted average price presently included in rates is $2.11 per dekatherm ($0.211 per therm).

Second, the Company entered into additional natural gas hedges after it filed its annual PGA. The weighted average price for hedged natural gas presently included in rates is $2.63 per dekatherm ($0.263 per therm). The weighted average price for all hedges, including those entered into after the annual PGA filing, is $2.346 per dekatherm (0.235 per therm).

Simply updating the 60-day historical average of forward wholesale natural gas prices, and reflecting all hedges entered into to date, results in a proposed $2.5 million revenue reduction

**Demand Costs (Schedule 461) and Amortization (Schedule 462)**

In order to expedite the processing of this filing so that customers can start receiving the benefit of lower natural gas costs this winter, the Company is not requesting any changes related to demand charges or Schedule 462 (Amortization Rate) in this filing. Any changes to those items will occur in the Company's next annual PGA filing.

## Other Information

The PGA filing reflects an overall ten-month revenue decrease of $2.5 million, or 3.5% effective January 26, 2018. Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers for the ten-month period (January –October) affected by this filing, and the revenue before and after the impact of the proposed rate changes, are as follows:

| Rate Schedule | Average Number of Customers |
|---|---|
| Schedule 410 | 89,878 |
| Schedule 420 | 11,786 |
| 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 | $ 44,474,089 | $ 43,059,887 | $ (1,414,202) | -3.2% | 40 | $ 49.79 | $ 48.20 | $ (1.59) | -3.2% |
| 420 | General | $ 20,794,138 | $ 20,000,439 | $ (793,699) | -3.8% | 170 | $ 176.54 | $ 169.80 | $ (6.74) | -3.8% |
| 424 | Large General | $ 1,762,660 | $ 1,631,953 | $ (130,707) | -7.4% | 3,821 | $ 2,042.58 | $ 1,891.11 | $ (151.47) | -7.4% |
| | | | | $ - | | | | | | |
| 440 | Interruptible | $ 1,124,145 | $ 988,581 | $ (135,564) | -12.1% | 9,671 | $ 3,178.95 | $ 2,795.60 | $ (383.35) | -12.1% |
| | | | | $ - | | | | | | |
| 444 | Seasonal | $ 124,604 | $ 115,696 | $ (8,908) | -7.1% | 5,691 | $ 3,155.43 | $ 2,929.84 | $ (225.59) | -7.1% |

The average residential or small commercial customer using 40 therms will see a decrease of $1.59 per month, or approximately 3.2%. The present bill for 40 therms is $49.79 while the proposed bill is $48.20.

Enclosed are workpapers supporting the proposed rate changes, and a media release which will be issued coincident with this filing. Please direct any questions regarding this filing to Annette Brandon at (509) 495-4324.

Sincerely,

Patrick D. Ehrbar
Director of Rates

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

# AVISTA UTILITIES

ADVICE NO. 17-10-G

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**Tariff Sheets**

December 22, 2017

AVISTA CORPORATION
dba Avista Utilities

# 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 $0.38611 per therm in all blocks of these rate schedules. (R)
(b) The rate of gas Schedule 440 is to be increased by $0.20072 per therm in all blocks of these rate schedules. (R)
(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.

AVISTA CORPORATION
dba Avista Utilities

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 | $0.20072 | (R) |
| Without Gross Revenue Factor | $0.19435 | (R) |

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 |
| Without Gross Revenue Factor | $0.17951 |

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

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

# AVISTA UTILITIES
ADVICE NO. 17-10-G

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**PRESS RELEASE**
**(DRAFT)**

December 22, 2017

**Contact:**
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Investors: Lauren Pendergraft (509) 495-2998, lauren.pendergraft@avistacorp.com
Avista 24/7 Media Access (509) 495-4174

# Avista requests lower natural gas prices for Oregon customers

*Declining wholesale prices benefit customers this winter*

**SPOKANE, Wash. Dec., 22 2017, 1:05 p.m. PST:** Avista **(NYSE: AVA)** today filed a Purchased Gas Cost Adjustment (PGA) request with the Public Utility Commission of Oregon (PUC) to reduce overall natural gas prices by 3.5 percent, to be effective Jan. 26, 2018.

Given the continued decline in wholesale natural gas prices, Avista is proposing to decrease the natural gas rates customers pay to better reflect current market prices for natural gas.

“We know our customers see higher bills as the weather gets colder, and we want to pass these price decreases on to them as quickly as we can,” said Dennis Vermillion, president of Avista. “The decline in wholesale natural gas prices allows us to decrease customer energy bills during the winter months, when it matters most.”

If approved by the PUC, residential natural gas customers in Oregon using an average of 40 therms per month would see a $1.59, or 3.2 percent, decrease per month, for a revised monthly bill of $48.20.

The percentage change varies by rate schedule and is dependent upon how much energy customers on the respective rate schedules use.

Purchased Gas Cost Adjustments (PGAs) are filed each year, usually in the fall, 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. Avista filed its annual PGA earlier this year, which was a decrease of 2.1 percent per month, on average, beginning on Nov. 1, 2017.

The primary drivers for the earlier rate reduction included continued low natural gas commodity costs due to the continued high production levels of natural gas and an abundance of natural gas in storage, which resulted in a decrease in wholesale natural gas prices. These factors have continued to put downward pressure on natural gas prices.

If approved, Avista’s request is designed to decrease natural gas revenues by $2.5 million.

About 40 percent of an Avista natural gas customer's bill 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. The costs 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.

These filings have no impact on Avista's earnings, and are not related to the proposed acquisition of Avista by Hydro One.

**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 Sept. 30, 2017.

SOURCE: Avista Corporation

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