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July 31, 2020

Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

RE: WN U-29 Natural Gas Service - Avista's Annual Purchased Gas Cost Adjustment (PGA)

Enclosed for electronic filing with the Commission is a copy of the following proposed tariff sheets:

Twenty-Third Revision Sheet 150 canceling **Substitute Twenty-Second Revision Sheet 150**
Eighth Revision Sheet 150A canceling **Seventh Revision Sheet 150A**
Twenty-Third Revision Sheet 155 canceling **Substitute Twenty-Second Revision Sheet 155**
Eighth Revision Sheet 149 canceling **Seventh Revision Sheet 149**

This filing is the Company's annual Purchased Gas Cost Adjustment ("PGA") to: 1) pass through changes in the estimated cost of natural gas for the forthcoming year (Schedule 150), and 2) revise the amortization rate(s) to refund or collect the balance of deferred natural gas commodity and demand costs (Schedule 155). The Company is requesting an overall revenue reduction of $0.2 million, or 0.1 percent, effective November 1, 2020. Below is a table summarizing the proposed revenue changes reflected in this filing.

(Revenue Sensitized) Service Schedule	Sch. No.	Commodity Change per therm	Demand Change per therm	Total Sch. 150 Change	Sch. 155 Amort. per therm	Total Rate Change per therm	**Total Percent Change**
General	101	$ 0.00885	$ 0.00155	$ 0.01040	$ (0.01160)	$ (0.00120)	**-0.2%**
Fixed income	102	$ 0.00885	$ 0.00155	$ 0.01040	$ (0.01160)	$ (0.00120)	**-0.5%**
Large General	111	$ 0.00885	$ 0.00091	$ 0.00976	$ (0.01099)	$ (0.00123)	**-0.5%**
Large General	112	$ 0.00885	$ 0.00091	$ 0.00976	$ -	$ 0.00976	**3.3%**
Interruptible	131	$ 0.00885	$ 0.00038	$ 0.00923	$ -	$ 0.00923	**1.7%**
Interruptible	132	$ 0.00885	$ 0.00038	$ 0.00923	$ -	$ 0.00923	**2.3%**

Commodity Costs

The estimated Weighted Average Cost of Gas ("WACOG") change is an increase of $0.00885 per therm. The proposed WACOG $0.16914 per therm compared to the present WACOG of $0.16029 per therm included in rates. The cost of natural gas commodity remains relatively low in a high-supply environment due to continued higher natural gas production and high levels of in storage. The slight increase of $0.00885 is reflective simply of the volatile nature of the commodity cost itself year over year.

The Company's natural gas Procurement Plan ("Plan") uses a diversified approach to procure natural gas for the coming PGA year. While the Plan generally incorporates a more 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 typically meets with Commission Staff semi-annually to discuss the state of the wholesale market and the status of the Company's Plan. In addition, the Company communicates with Staff when it believes it makes sense to deviate from its Plan and/or opportunities arise in the market.

Avista has been hedging natural gas on both a periodic and discretionary basis throughout the previous 36 months for the forthcoming PGA year. Approximately 41% of estimated annual load requirements for the PGA year (November 2020 through October 2021) has been hedged at a fixed-price derived from the Company's Plan. Through June, the hedge volumes for the PGA year have been executed at a weighted average price of $1.72 per dekatherm ($0.172 per therm).

The Company used the AECO forward prices as of June 30, 2020 to develop an estimated cost associated with index purchases. These index purchases represent approximately 59% of estimated annual load requirements for the coming year. The annual weighted average price for these volumes is $1.76 per dekatherm ($0.176 per therm).

Demand Costs

Demand costs reflect the cost of pipeline transportation to the Company's system, as well as fixed costs associated with natural gas storage. Demand costs are expected to slightly increase for residential customers by approximately $0.00155 per therm. This change is related to a combination of various factors including Canadian exchange rate, updated demand forecast, and pipeline tariff changes for our Canadian pipelines.

Schedule 155 / Amortization Rate Change

The proposed amortization rate change for Schedule 101 and Schedule 102 is a decrease in revenue of $0.01160 per therm. The current rate applicable to Schedule 101 and Schedule 102 is $0.00429 per therm in the surcharge direction; the proposed rate is $0.00731 per therm in the rebate direction.

For the winter of 2019-2020, after the early part of December, temperatures across the country for the balance of winter were warmer than average leading to below average natural gas demand for both heating and power generation. Combined with growing production and very high storage levels, this resulted in much lower prices versus the previous winter's unusual events. The end of winter coincided with the onset of the COVID-19 pandemic in the U.S. The price response to the pandemic has been mixed. So far, the impact to demand has been greater than that of supply, which has been reflected in the cash market (day ahead Henry Hub index) by falling prices. Lower prices, reflective of a combination of these of factors, has resulted in a rebate balance of approximately $0.9 million as of June 30, 2020. The Company did not include any estimates in this year's filing.

Schedule 149 / Backup and Supplemental Compressed Natural Gas Service

The Company has also included Schedule 149, "Backup and Supplemental Compressed Natural Gas Service" to reflect the new first block billing rate for Schedule 111**.** That rate is one of the key components to determine the Retail Rate per Gas Gallon Equivalent under that schedule. Several of the adder schedule rates incorporated in the billing rate for Schedule 111 are pending approval at this time (Schedule 150 – Purchased Gas Cost Adjustment, Schedule 155 – Gas Rate Adjustment, and Schedule 192 – LIRAP). Should the Commission approve a rate that is different from what the Company has proposed to go into effect on November 1st for any of these adder schedules, the Company with file a substitute Schedule 149 tariff to reflect the approved billing rate for Schedule 111.

Other Information

Guidance provided in Docket No. UG-132019's "Policy and Interpretive Statement on Local Distribution Companies' Natural Gas Hedging Practices" ("Policy Statement") requires that Avista shall file, by the deadline for submitting the 2020 PGA filing, an annual comprehensive hedging plan that demonstrates the integration of risk responsive strategies into the Company's overall hedging framework. That report will be filed in this docket on or before August 31, 2020.[1]

Summary

The annual revenue change reflected in this filing is a *decrease* of $223,914, or a *decrease* in annual natural gas revenue of 0.1%. The average residential or small commercial customer using 66 therms per month will see a decrease of $0.08 per month, or approximately 0.1%. The present bill for 66 therms is $56.43 while the proposed bill is $56.35. The proposed rate change will vary based on a customer's usage and service schedule.

Also enclosed are the workpapers supporting the proposed rate changes and a bill insert to customers regarding the proposed increase. Please note that Attachment D is Confidential as it contains pricing

[1] The Company is filing this PGA earlier than it normally would have (typically by August 31st) in order to give Commission Staff adequate time for review, as well as give customers adequate notice of the filed rate request. Further the Company will be finalizing its Procurement Plan in the first part of August and therefore the final will have the most current information.

information that is confidential. Therefore, per WAC 480-07-160, this attachment is being provided in a confidential and redacted version.

If you have any questions regarding this filing, please call Kaylene Schultz at 509-495-2482 or Annette Brandon at 509-495-4324.

Sincerely,

/S/Patrick D. Ehrbar

Patrick D. Ehrbar
Director of Regulatory Affairs