

AVISTA UTILITIES
2019
Washington Natural Gas
Schedule 175
Annual Decoupling Rate Adjustment Filing

Notice of Public Applicants' Proposed Tariffs

August 22, 2019

**Important Notice for Washington Electric and Natural Gas Customers
August-September 2019**

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Proposed Annual Rate Adjustments Filed to be Effective Nov. 1, 2019

On Aug. 22, 2019, Avista filed annual rate adjustment requests with the Washington Utilities and Transportation Commission (UTC or Commission), with a requested effective date of Nov. 1, 2019. These annual filings are separate from the general rate case request filed in April 2019 regarding base retail rates in Washington and has no impact on the company's earnings.

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. This rate adjustment is driven primarily by higher wholesale natural gas prices in the 2018-2019 winter season, which were caused, in part, by a Canadian pipeline disruption that restricted natural gas flows into the Pacific Northwest. If approved, Avista's request is designed to increase natural gas revenues by \$14.0 million or 10.4 percent.

The second adjustment is related to the Bonneville Power Administration (BPA) Residential Exchange Program. The Residential Exchange Program provides a share of the benefits of the federal Columbia River power system to the residential and small farm customers of the investor-owned utilities in the Pacific Northwest, including Avista. Avista applies the benefits it receives, which typically fluctuate from year to year, to customers as a credit in their monthly electric rates. The benefit Avista will receive from BPA starting in October 2019 will result in a higher level of benefits than is currently being passed through to qualifying customers. As a result of the higher level of benefits, the proposed rate decrease for residential and small farm customers is designed to decrease revenues by approximately \$8.3 million, or an overall decrease of approximately 1.6 percent.

The third rate adjustment is related to electric and natural gas decoupling. Decoupling is a mechanism designed to break the link between a utility's revenues and customers' energy usage. Generally, Avista's electric and natural gas revenues are adjusted each month based on the number of customers, rather than kilowatt hour and 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 electric operations, the rate adjustment is designed to increase revenues by \$16.1 million, or 3.1 percent. For natural gas operations, the rate adjustment is designed to increase revenues by \$4.8 million, or 3.6 percent. These rate adjustments are driven primarily by a lower level of customer usage in 2018 due in part to a warmer than normal winter.

Change in Rates - If approved by the Commission, residential electric customers in Washington using an average of 918 kilowatt hours per month would see their monthly bills change from \$81.59 to \$82.16, an increase of \$0.57 per month, or approximately 0.7 percent. Residential natural gas customers using an average of 66 therms per month would see their monthly bills change from \$47.79 to \$54.85, an increase of \$7.06 per month, or approximately 14.8 percent.

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

If approved, customers would see the following rate adjustments:

Electric Rate Change

Proposed Schedule 1 Residential Rates (effective Nov. 1, 2019)

Electric Service	Current Billing Rate	Proposed Change	Proposed Billing Rates
Basic Charge	\$9.00	\$0.00	\$9.00
First 800 kWh/month	\$0.07749/kWh	\$0.00062/kWh	\$0.07811/kWh
Next 700 kWh/month	\$0.08981/kWh	\$0.00062/kWh	\$0.09043/kWh
Over 1,500 kWh/month	\$0.10492/kWh	\$0.00062/kWh	\$0.10554/kWh

Proposed Electric Rate Change by Schedule (effective Nov. 1, 2019)

Schedule No.	Rate Schedule	% Increase in Billed Revenue
1/2	Residential	0.7%
11/12	General Service	2.2%
21/22	Large General Service	3.2%
25	Ex. Lg. General Service	0.0%
31/32	Pumping Service	3.3%
41-48	Street and Area Lights	-0.1%
	Overall	1.5%

Natural Gas Rate Change

Proposed Schedule 101 Rates (effective Nov. 1, 2019)

Natural Gas Service	Current Billing Rate	Proposed Change	Proposed Billing Rates
Basic Charge	\$9.50	\$0.00	\$9.50
First 70 therms/month	\$0.58014/therm	\$0.10695/therm	\$0.68709/therm
Over 70 therms/month	\$0.69020/therm	\$0.10695/therm	\$0.79715/therm

Proposed Natural Gas Rate Increase by Schedule (effective Nov. 1, 2019)

Schedule No.	Rate Schedule	% Decrease Billed Revenue
101/102	General Service	14.4%
111/112	Large General Service	15.3%
121/122	Ex. Lg. General Service	13.4%
131/132	Interruptible Sales Service	4.1%
146	Transportation Service	0.0%
	Overall	14.0%

The Company's requests are proposals, subject to public review and a Commission decision. The Commission has the authority to set final rates that may vary from the utility's request, which may be

either higher or lower depending on the results of the investigation. You may contact the UTC to inquire about the Commission process, or to be notified about the scheduled open meetings at which the proposal will be considered. You can contact the Commission to comment on Avista's rate proposals via email at comments@utc.wa.gov, by telephone at 1-888-333-WUTC (9882), via letter at: UTC, 621 Woodland Square Loop, P.O. Box 47250, Lacey, WA 98503-7250, or online at: www.utc.wa.gov. Copies of the applications are available for public review on the Commission website, at the Company offices located at: 1411 E. Mission Ave, Spokane, WA 99202, as well as on our website at www.myavista.com/rates.

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