

Important Notice for Washington Electric and Natural Gas Customers September-October 2017

Proposed Annual Rate Adjustments Filed to be Effective Nov. 1, 2017

On Aug. 30, 2017 Avista filed three annual rate adjustment requests with the Washington Utilities and Transportation Commission (UTC or Commission), with a requested effective date of Nov. 1, 2017. These annual filings are separate from the general rate case request filed in May 2017 regarding base rates in Washington, have no impact on the company's earnings, and are not related to the proposed acquisition of Avista by Hydro One.

The **first** rate adjustment is the 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, the request is designed to decrease Avista's natural gas revenues by \$7.8 million or 5.2 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.

The **second** rate 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 electric 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 2017 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 \$0.8 million, or an overall decrease of approximately 0.1 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 \$8.4 million, or 1.6 percent. For natural gas operations, the rate adjustment is designed to increase revenues by \$4.3 million, or 2.9 percent. These rate adjustments are driven primarily by a lower level of customer usage in 2016 due in part to a warmer than normal winter.

Change in Rates - As a result of the filings, residential electric customers in Washington using an average of 938 kilowatt hours per month would see their monthly bills change from \$85.08 to \$86.50, an increase of \$1.42 per month, or approximately 1.7 percent. Residential natural gas customer using an average of 65 therms per month would see their monthly bills change from \$57.33 to \$56.27, a decrease of \$1.06 per month, or approximately 1.9 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, 2017)

Electric Service	Current Billing Rate	Proposed Increase	Proposed Billing Rates
Basic Charge	\$8.50	\$0.00	\$8.50
First 800 kWh/month	\$0.07986/kWh	\$0.00152/kWh	\$0.08138/kWh
Next 700 kWh/month	\$0.09194/kWh	\$0.00152/kWh	\$0.9346/kWh
Over 1,500 kWh/month	\$0.10676/kWh	\$0.00152/kWh	\$0.10828/kWh

Proposed Electric Rate Increase by Schedule (effective Nov. 1, 2017)

Schedule No.	Rate Schedule	% Increase in Billed Revenue
1	Residential	1.7%
11/12	General Service	1.5%
21/22	Large General Service	2.0%
25	Ex. Lg. General Service	0.0%
31/32	Pumping Service	2.1%
41-48	Street and Area Lights	0.0%
	Overall	1.5%

Natural Gas Rate Change**Proposed Schedule 101 Rates (effective Nov. 1, 2017)**

Natural Gas Service	Current Billing Rate	Proposed Increase	Proposed Billing Rates
Basic Charge	\$9.00	\$0.00	\$9.00
First 70 therms/month	\$0.74355/therm	-\$0.01628/therm	\$0.72727/therm
Over 70 therms/month	\$0.85949/therm	-\$0.01628/therm	\$0.84321/therm

Proposed Natural Gas Rate Increase by Schedule (effective Nov. 1, 2017)

Schedule No.	Rate Schedule	% Decrease Billed Revenue
101	General Service	-1.8%
111/112	Large General Service	-3.6%
121/122	Ex. Lg. General Service	-2.5%
131/132	Interruptible Sales Service	-11.4%
146	Transportation Service	0.0%
	Overall	-2.2%

For more information and or questions about the proposed rate changes, conservation tips and energy efficiency programs, energy assistance programs and bill payment plans, visit us at www.myavista.com or contact us at 1-800-227-9187.

The Company's requests are proposals, subject to public review and a Commission decision. The Commission has the authority to set final rates. 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, 1300 S. Evergreen Park Drive S.W., P.O. Box 47250, Olympia, WA 98504-7250, 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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