

Avista Corp.
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Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170



August 23, 2017

Diane Hanian
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

Re: **Case No. AVU-G-17-03**
Natural Gas Fixed Cost Adjustment Annual Rate Filing of Avista Corporation

Dear Ms. Hanian:

Enclosed for electronic filing with the Commission is a copy of the Customer Notice issued in Case No. AVU-G-17-03. The Customer Notice has been included in customer bills since August 15, 2017, and will run through September 13, 2017. The Company will issue a Press Release on or about August 31, 2017 which will contain information related to the natural gas FCA filing. That information will be provided along with information on the forthcoming Purchase Gas Cost Adjustment, both of which have proposed effective dates of November 1, 2017. Please direct any questions on this matter to me at (509) 495-8620.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Ehrbar", written over a circular stamp.

Patrick Ehrbar
Senior Manager, Rates and Tariffs

Enclosures

Important Notice for Idaho Natural Gas Customers

August/September 2017

Proposed Natural Gas Rate Adjustment to be Effective Nov. 1, 2017

Avista has filed a natural gas rate request with the Idaho Public Utilities Commission (Commission), with a requested effective date of Nov. 1, 2017. This annual filing is separate from the general rate case request filed in June 2017 regarding base retail rates in Idaho, has no impact on the company's earnings, and is not related to the proposed acquisition of Avista by Hydro One.

The rate adjustment is related to Avista's natural gas fixed cost adjustment mechanism (FCA). The FCA is 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 the FCA Avista's 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. For natural gas operations, the rate adjustment is designed to increase natural gas revenues by approximately \$1.8 million, or 2.9 percent. This rate adjustment is driven primarily by a lower level of customer usage in 2016 due in part to a warmer than normal winter.

Customer Bills - If approved, residential natural gas customers in Idaho using an average of 61 therms per month would see their monthly bills increase from \$51.10 to \$52.61, an increase of \$1.51 per month, or approximately 3.0 percent. The proposed natural gas rate changes would be effective Nov. 1, 2017. The requested natural gas rate changes by rate schedule are:

General Service - Firm - Schedule 101
Residential & Small Commercial, 3.0%
Large General Service - Firm - Schedules
Commercial 111 & 112, 3.0%

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The Company's application is a proposal, subject to public review and a Commission decision. Copies of the application are available for public review at the offices of both the Commission and Avista, and on the Commission's website (www.puc.idaho.gov). Customers may file with the Commission written comments related to the Company's filings. Customers may also subscribe to the Commission's RSS feed (<http://www.puc.idaho.gov/rssfeeds/rss.htm>) to receive periodic updates via e-mail about the case. Copies of rate filings are also available on our website, www.myavista.com/rates.

If you would like to submit comments on the proposed rate change, you can do so by going to the Commission website or mailing comments to:

Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

To assist customers in managing their energy use and energy bills, Avista offers services such as energy efficiency programs and rebates, comfort level billing, payment arrangements and Customer Assistance Referral and Evaluation Services (CARES). To learn more, visit www.myavista.com.

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