

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 181

NATURAL GAS TRANSPORTATION SERVICE TERMS AND CONDITIONS

AVAILABLE:

Transportation Service of Customer-Owned Natural Gas is available to Customers who execute a Transportation Service Agreement with Avista ("Company") under one of the following Rate Schedule(s): 146. Transportation Service is available from the Receipt Point to a Delivery Point, provided that, in the sole judgement of Avista, there are adequate distribution facilities in place to provide such service.

APPLICABLE:

Transportation Service under this schedule applies to the transportation of Customer-Owned Natural Gas and is governed by the terms of the applicable Transportation Service Agreement, this schedule, Avista's nomination, balancing, and other operating procedures, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

Customer-Owned Natural Gas shall meet the quality requirements as set forth in the applicable Pipeline's Federal Energy Regulatory Commission (FERC) tariff.

Customer-Owned Gas Transportation Service under this schedule is subject to Entitlement, Curtailment and Interruption.

DEFINITIONS:

Agency Agreement. Agreement whereby a Customer authorizes an Agent to nominate and transport natural gas to Avista's distribution system on the Customer's behalf.

Agent. A third-party authorized by a Transportation Service Customer to nominate and transport natural gas to Avista's distribution system on a Customer's behalf.

Confirmed Nomination. The Company's verification of a Transportation Service Customer's report of the quantity of natural gas it has requested a Pipeline to deliver to Avista's distribution system on a specified Gas Day.

Curtailment. A condition declared by Avista during which a Customer is required to partially or totally stop consumption of natural gas.

Customer-Owned Natural Gas. Natural gas procured by the Customer that is to be transported by Avista for the Customer's own use. The title to Customer-Owned Natural Gas is held by the Customer at all times.

Delivery Point. The point at which natural gas leaves Avista's distribution system and passes through Avista's meter at the Customer's premise.

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Entitlement. A condition whereby a Transportation Service Customer is restricted to use no more, or no less than, its daily Confirmed Nominations within the percentage specified in the Entitlement. Entitlement may be declared by Avista upon receiving notice of Entitlement from the Pipeline, or due to operational difficulties on the Company's distribution system. See also Overrun Entitlement and Underrun Entitlement.

Firm Transportation Service. Transportation Service that Avista provides on a firm basis from the Receipt Point to the Delivery Point. Avista will exercise reasonable diligence and care to ensure continuous delivery of Customer-Owned Natural Gas from the Receipt Point to the Delivery Point, but Avista does not guarantee such continuity of service.

Force Majeure. As defined in Schedule 182.

Gas Day. A 24-hour period beginning daily at 7:00 a.m. Pacific Clock Time (PCT). Avista's Gas Day coincides with the Gas Day established by the Pipeline(s), and may change from time to time, upon approval of the Federal Energy Regulatory Commission.

Natural Gas Sales Service. Service which Avista procures natural gas supply and provides it to a Delivery Point on a firm basis. Avista will exercise reasonable diligence and care to supply and deliver continuous service; provided, however, the Company does not guarantee such continuity of service, or sufficiency or quantity.

Imbalance. The difference between Confirmed Nominations and the volume of Customer-Owned Natural Gas actually delivered to a Transportation Service Customer within a balancing period.

Interruption. Avista may temporarily interrupt service to Customer(s) when it is necessary, as determined by the Company in the exercise of its reasonable judgement.

Nomination. A specific quantity of Customer-Owned Natural Gas that a Transportation Service Customer requests Avista to transport from a Receipt Point to a Delivery Point on a given Gas Day.

Overrun Entitlement. A condition whereby a Transportation Service Customer is restricted to use no more than a specified percentage of such Customer's Confirmed Nominations on a specified Gas Day.

Pipeline. TransCanada's Gas Transmission NW (GTN), Williams's Northwest Pipeline, and any other natural gas pipeline transportation connected to the facilities of Avista.

Receipt Point. The point at which natural gas enters Avista's distribution system from a Pipeline's interconnect.

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Supply Pool. A group of Customers receiving Transportation Service from Avista through a single Agent, and whose natural gas for all Customers in the Supply Pool is received into the Company's distribution system at a common Receipt Point.

Telemetry. An automated communication process, either wired or wireless, that transmits metering information from the natural gas meter set to Avista.

Transportation. The movement of Customer-Owned Natural Gas from the Receipt Point through Avista's distribution system to a Customer's Delivery Point(s).

Transportation Service. Transportation of Customer-Owned Natural Gas.

Transportation Service Agreement. Agreement between Avista and a Customer to provide service pursuant to a transportation rate schedule.

Underrun Entitlement. A condition whereby a Transportation Service Customer is restricted to use no less than a specified percentage of such Customer's Confirmed Nominations on a specified Gas Day.

TERMS AND CONDITIONS:

1. Transportation Service hereunder shall be provided subject to the execution of a Transportation Service Agreement. The Transportation Service Agreement shall specify, among other things, the maximum daily volume of Customer-Owned Natural Gas to be transported.
2. The Receipt Point for Customer-Owned Natural Gas supplies must be approved by Avista. Transportation Service Customers shall hold Avista harmless from any damage or losses caused by failure of Customer-Owned Natural Gas supplies to arrive at the designated Receipt Point.
3. The Customer may designate an Agent, or act as an Agent on its own behalf, to manage the Customer's Customer-Owned Natural Gas supply and provide daily Nominations to Avista on behalf of the Customer. The Customer must execute an Agency Agreement before Avista will accept any Nominations from an Agent on behalf of the Customer.
4. The Customer may become a member of a Supply Pool. Avista will designate Supply Pools in accordance with the Company's ability to physically receive and deliver natural gas to the Customer. The Customer's Agent will nominate and balance natural gas supplies on behalf of all Customers in a Supply Pool and shall be responsible for any imbalance charges or other fees, charges, taxes or penalties.

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5. Billing arrangements with natural gas suppliers, transportation providers and Agents are to be the responsibility of the Customer.
6. Notwithstanding Section 4 above, in the event that the Agent fails to pay any fees, charges, taxes or penalties, the Customer shall be responsible for any transportation service fees, agency fees, charges, taxes and penalties levied on Customer-Owned Natural Gas transported by Avista, even if the Customer makes use of an Agent.
7. Customer-Owned Natural Gas Transported under this schedule shall not be resold by the Customer receiving Transportation Service.
8. Avista may Entitle, Curtail, or Interrupt the Transportation of Customer-Owned Natural Gas on its distribution system whenever the Company, in its sole judgment, determines that it is unable to meet all of its firm service requirements. Such Entitlement, Curtailment or Interruption shall be made in accordance with this schedule and the Company's Schedule 182, "Plan for Natural Gas Service Curtailment", as contained in its approved tariff. Any volumes of Customer-Owned Natural Gas unable to be delivered due to the operational constraints specified in this paragraph shall be held as an Imbalance and delivered to the Customer as soon as operationally practicable. Avista will not be liable for damages due to Entitlement, Curtailment or Interruption of Transportation Service provided under this schedule.
9. A Transportation Service Customer may contract with Avista for Natural Gas Sales Service. In such cases, the Customer must execute a contract that will specify the daily sales quantity required, expressed in therms, and the sales rate schedule assigned by Avista. Sales gas shall be deemed first through the meter each day. Transportation Service supplied under this schedule shall not be interchangeable with Natural Gas Sales Service supplied by the Company.
10. Customers who desire to change from a Transportation Service Schedule to a Natural Gas Sales Service Schedule, or purchase a percentage of Natural Gas Sales Service, must provide written notice to Avista at least ninety (90) days prior to the effective date of the desired schedule change. At the Company's sole discretion, it may grant a Customer's request to transfer to a firm sales service schedule with less than ninety (90) days' notice. The availability for a Customer to change to a Natural Gas Sales Service Schedule will be based on Avista's sole judgement that it can procure natural gas supply and the existing distribution system has adequate capacity for the service requested by Customer and would not otherwise affect current Natural Gas Sales Service Customers. In the event that there is no availability for the Customer to change to a Natural Gas Service Schedule on its desired date due to capacity or natural gas supply constraints, Avista will provide an estimated date for when the Customer is able to change service schedules.

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Customers changing between Transportation and Natural Gas Sales Schedules must remain on the new schedule for a period of no less than one year.

Avista shall charge or credit a Customer changing from Natural Gas Sales Service to Transportation Service or from Transportation Service to Natural Gas Sales Service to ensure the fair treatment of existing natural gas cost deferral account balances among all Customers. The charge or credit will be based on the Customer's actual sales gas usage divided by the total usage for all sales gas Customers multiplied by total deferred gas costs for the month.

TELEMETRY REQUIREMENTS:

Telemetry is required to support the metering and billing of a Transportation Service Customer. Service under a Transportation Schedule may require that the Customer reimburse Avista for costs of any piping and metering changes including regulators, meters, electronic volume correctors, and communications equipment that Avista requires in the course of providing telemetry to the Company. The Customer shall also furnish electric power, an analog phone line (land line) or an Avista approved equivalent, conduit and raceway for connecting all equipment, power, and communications. Work shall comply with Avista's Natural Gas Engineering Standards for Telemetry work, as natural gas is hazardous, and special electrical requirements for hazardous areas apply.

BALANCING OF RECEIPTS AND DELIVERIES:

The Customer or its Agent will schedule its supply such that at the end of the Customer's billing cycle, the Customer's usage approximately equals the amount of Customer-Owned Natural Gas supplied to Avista by the Customer or Customer's Agent during the billing cycle. Balancing of receipts and deliveries shall be accomplished on a daily basis to the extent possible. Cumulative imbalances in receipts and deliveries will be carried over to the next billing cycle.

If a Customer's cumulative Imbalance in any billing cycle is more than five percent (5%) above or below total Confirmed Nominations for that billing cycle, such Customer will be notified by the fifteenth (15th) day of the following billing cycle that the Imbalance exceeds the allowed tolerance, and such Customer will receive a minimum of forty-five (45) days from the date of the notification from Avista to eliminate the Imbalance. The Customer's Imbalance will be reevaluated at the end of each billing cycle to determine if the Customer is back in tolerance. If an Imbalance is not back within tolerance by the date specified in the notification described above, the Customer will be required to pay a balancing charge of \$1.00 per therm for usage volumes above or below the five percent (5%) tolerance.

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ENTITLEMENTS:

Entitlement conditions exist when a Transportation Service Customer is restricted to use no more, or no less than, its daily Confirmed Nominations within the percentage specified in the notification of Entitlement any restrictions of service to a Customer when an Entitlement exists will be made in accordance with this schedule. Entitlement, Curtailment and Interruption of Transportation Service may exist concurrently.

At Avista's discretion, an Entitlement may be issued which will serve to prescribe a minimum or maximum percentage of their Confirmed Nomination to be used by a Customer during a day. The notification of Entitlement will specify the conditions necessary for compliance, including the prescribed tolerance.

Overrun Entitlement: In an Overrun Entitlement condition the following threshold percentage levels will be effective:

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| Stage 1: | Three percent (3%) of Confirmed Nominations, or if ordered within two (2) hours of the start of the Gas Day, five percent (5%) of Confirmed Nominations |
| Stage 2: | Eight percent (8%) of Confirmed Nominations |
| Stage 3: | Thirteen percent (13%) of Confirmed Nominations |

The penalty that will apply for any unauthorized volumes during an Overrun Entitlement will be the greater of \$1.00 per therm or 150% of the highest individual midpoint price of the following locations: NW Wyo. Pool; NW S. of Green River; Stanfield Ore., Kern River Opal, El Paso Bondad or NW Can. Bdr. (Sumas) as shown in the S&P Global Platts publication "Gas Daily" for the applicable Overrun Entitlement.

Payment for unauthorized volumes of natural gas and overrun penalties shall not under any circumstances be considered as granting Customer the right to take unauthorized overrun gas or exclude any other remedies which may be available to Avista.

Underrun Entitlement: During an Underrun Entitlement condition, a Customer that is in an underrun situation will be subject to underrun charges for each instance of underrun imbalance that occurs during an Underrun Entitlement period. The charges that will apply during any Underrun Entitlement episode will be \$1.00 per therm for any underrun Imbalances exceeding a specified percentage of Confirmed Nominations.

CURTAILMENTS:

Curtailments are a condition declared by Avista during which a Customer is required to partially or totally stop consumption of natural gas. Curtailments will be made in accordance with Schedule 182, "Plan for Natural Gas Service Curtailment."

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