



Oregon

Kate Brown, Governor

Public Utility Commission

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December 28, 2021



BY EMAIL

Avista Corporation, dba Avista Utilities
dockets@avistacorp.com

RE: Advice No. 21-09-G

At the public meeting on December 28, 2021, the Commission adopted Staff's recommendation in this matter docketed as ADV 1354. The Staff Report, LSN, and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser
Chief Administrative Law Judge
Public Utility Commission of Oregon
(503) 378-3098

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 28, 2021**

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2022

DATE: December 20, 2021

TO: Public Utility Commission

FROM: Curtis Dlouhy

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: AVISTA UTILITIES:
(Docket No. ADV 1354/Advice No. 21-09-G)
Avista Utilities Update to Schedule 469, Establishment of Schedule 470,
and Removal of Schedule 488.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Avista Utilities' (Avista, AVA, or Company) Advice No. 21-09-G filing to update Schedule 469, establish Schedule 470, and remove Schedule 488 with an effective date of January 1, 2022, with Less than Statutory Notice (LSN).

DISCUSSION:

Issue

Whether the Commission should approve Avista's proposed revisions to Schedule 469, the Company's Public Purpose Funding Surcharge (Public Purpose Charge or PPC), establish Schedule 470, the Company's Voluntary On-Bill Repayment (OBR) Program, and remove Schedule 488, the Company's Promotional Concessions, with LSN.

Applicable Rule or Law

Avista filed its proposed changes to Schedule 469, establishment of Schedule 470, and removal of Schedule 488 under ORS 757.205 and OAR 860-022-0025. Under ORS 757.205(1), every public utility shall file with the Public Utility Commission schedules showing all rates, tolls, and charges that it has established and are in force at the time for any service performed by it within the state, or for any service in connection

therewith or performed by any public utility controlled or operated by it. The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable under ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025.

OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change. Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. ORS 757.220; OAR 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

ORS 470.660(1) provides that all investor-owned utilities, except those that have withheld consent under ORS 470.510(3) shall provide on-bill financing for small scale energy efficiency projects, except when the commission grants a waiver under ORS 470.660(4). On-bill financing may not assign responsibility for the repayment of an energy efficiency and sustainable technology loan on the utility. Per ORS 470.66(2) a utility's on-bill financing system must:

- a. Enable a customer to make a single payment to satisfy the periodic utility charges and repayment on an energy efficiency and sustainable technology loan;
- b. Provide a clearly identifiable line item or separate statement in the utility bill that shows the energy efficiency and sustainable technology loan repayment amount; and
- c. Direct energy efficiency and sustainable technology loan repayment amounts collected by the utility to the appropriate sustainable energy project manager or to the department for deposit to the credit of the Small Scale Local Energy Project Administration and Bond Sinking Fund, Energy Project Bond Loan Fund or Energy Project Supplemental Fund.

Analysis

Background

On November 23, 2021, Avista filed Tariff Advice No. 21-09-G. On December 20, 2021, the Company filed an updated version of Tariff Advice No. 21-09-G with less than statutory notice. The purpose of this filing is to do three things:

1. Adjust Schedule 469 to reflect the rates required to fund the Company's 2022 energy efficiency programs, namely the programs administered by the Energy Trust of Oregon (ETO), the Avista Oregon Low-Income Energy Efficiency Program (AOLIEE), and the Company's associated energy efficiency program marketing and administrative costs;¹
2. Introduce Avista's new tariff Schedule 40, "Voluntary On-Bill Repayment (OBR) Program"; and²
3. Remove Schedule 488, "Promotional Concessions – Oregon" as it is antiquated and has not been utilized in many years.³

The Company states that it is requesting a rate increase of \$2,048,727, or 1.7 percent, effective January 1, 2022, and states that the primary driver of this increase is due to the increase in the ETO budget for the 2022 program year.⁴ In its table on Page 2 of its initial filing, the Company states that the budget for ETO increased from \$2,443,292 in 2021 to \$4,943,292 for 2022, an increase of \$2,500,000. Avista states that this is due to increased savings targets that have already been presented to the Commission in a November 16, 2021, presentation.

The Company states that after establishing an OBR Program in Washington, it will now be able to leverage this experience to establish an OBR program in Oregon as well. This new program is established in Schedule 470.⁵ This new schedule will allow customers to access financing for energy efficiency measures through specific ETO programs and for the repayment of these loans to be included in the customers' natural gas bills.⁶ The Company refers to these as "Energy-Smart Loans." The Schedule notes that a customer that is engaged in an Energy-Smart Loan will see the loan repayment as a separate line item on their bill.⁷ As the name of this Schedule suggests, enrollment in this program is entirely voluntary.

¹ Initial Filing at Pages 1-2.

² Initial Filing at Page 2.

³ Id.

⁴ Id.

⁵ Initial Filing at Page 4.

⁶ Initial Filing at Page 8.

⁷ Id.

As a final part of this filing, the Company requests to cancel Schedule 488, “Promotional Concessions – Oregon” on the basis that it is simply not being used. The Company states that the primary intent of the programs in Schedule 488 are better served by establishing the new OBR program in Schedule 470.⁸ Avista also states that should it decide to offer promotional concessions in the future, these will be filed with the Commission as required.⁹

Staff Review

Staff reviewed all three tariffs separately and found all changes, deletions, and additions to be acceptable and consistent with applicable requirements. Staff summarizes its analysis for each Tariff in this section.

Schedule 469

Staff reviewed the Company’s workpapers and the past Commission presentation on the ETO budget. Staff notes that in the draft ETO budget, Avista’s contribution to ETO was set to be \$2,000,000, but this amount was eventually changed to \$2,500,000 in the final ETO budget. Staff found that this change in the ETO budget, as well as all other line items contained in Schedule 469, are properly addressed in the Company’s workpapers.

Schedule 470

Staff met with the Company on December 20, 2021, to discuss concerns with the language in Schedule 470. The Company filed an updated tariff with Less than Statutory Notice on December 20, 2021, with Staff’s suggested changes incorporated.¹⁰ In particular, Staff wanted the Company to remove some items about program requirements, add an item about delinquent payments, and clarify some language about administrative fees and less than full payments. Staff reviewed the updated language of Schedule 470 and found the Company’s language in the tariff to be consistent with its portrayal of Schedule 470 in its initial filing. The language of the updated tariff filing is consistent with the language contained in other utilities’ OBR tariffs. Staff supports the establishment of Schedule 470.

Schedule 488

Staff sees no need to maintain a schedule that is no longer being used. In the event that the services are offered in the future, Avista stated that it will bring a filing to the Commission. Staff reviewed the language of Schedule 488 and Schedule 470 to see if the services offered appear to overlap, as was claimed by the Company in its initial

⁸ Initial Filing at Page 5.

⁹ Id.

¹⁰ Supplemental Filing at Pages 3-7.

filing. Staff finds that these two tariffs do appear to serve the same purpose and supports the removal of this schedule.

Conclusion

Staff verified that the workpapers are supportive of the rate change in Schedule 469 and that the updates to Schedule 469, addition of Schedule 470, and removal of Schedule 488 are acceptable.

PROPOSED COMMISSION MOTION:

Approve Avista's Advice No. 21-09-G filing to update Schedule 469, establish Schedule 470, and remove Schedule 488 with an effective date of January 1, 2022, with Less than Statutory Notice.

LESS THAN STATUTORY NOTICE APPLICATION

This document may be electronically filed by sending it as an attachment to an electronic mail message addressed to the Commission's Filing Center at puc.filingcenter@puc.oregon.gov.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

| | | |
|-------------------------------------|---|----------------------------|
| IN THE MATTER OF THE APPLICATION OF |) | UTILITY L.S.N. APPLICATION |
| Avista Corporation |) | NO. 2290 |
| (UTILITY COMPANY) |) | (LEAVE BLANK) |
| TO WAIVE STATUTORY NOTICE. |) | |

NOTE: ATTACH EXHIBIT IF SPACE IS INSUFFICIENT.


1. GENERAL DESCRIPTION OF THE PROPOSED SCHEDULE(S) ADDITION, DELETION, OR CHANGE. (SCHEDULE INCLUDES ALL RATES, TOLLS AND CHARGES FOR SERVICE AND ALL RULES AND REGULATIONS AFFECTING THE SAME)
 On November 23, 2021, Avista Corporation, dba Avista Utilities (Avista or the Company), filing tariff revision Advice No. 21-09-G requesting approval of new tariff Schedule 470, "Voluntary On-Bill Repayment Program". Based on discussion with Oregon Public Utility Commission Staff, the Company was made aware of minor concerns that Staff had with Avista's new tariff Schedule 470. As a result of the discussions, the Company has made revisions to the proposed Schedule 470 to alleviate Staff's concerns.

2. APPLICANT DESIRES TO CHANGE THE SCHEDULE(S) NOW ON FILE KNOWN AND DESIGNATED AS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE, AND ITEM)
 The proposed schedule 470 is a brand new schedule that is not yet on file.

3. THE PROPOSED SCHEDULE(S) SHALL BE AS FOLLOWS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE AND ITEM)
 Tariff Schedule 470, 470A, 470B, and 470C.

4. REASONS FOR REQUESTING A WAIVER OF STATUTORY NOTICE:
 A Waiver of Statuory Notice is requested due to the requested effective date of January 1, 2022.

5. REQUESTED EFFECTIVE DATE OF THE NEW SCHEDULE(S) OR CHANGE(S): January 1, 2022

| | | |
|---|---|--------------------|
| AUTHORIZED SIGNATURE /s/ Shawn Bonfield | TITLE Sr. Manager of Regulatory Policy | DATE 12/20/2021 |
| PUC USE ONLY | | |
| <input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DENIED | EFFECTIVE DATE OF APPROVED SCHEDULE(S) OR CHANGE January 1, 2022 | |
| AUTHORIZED SIGNATURE  | | DATE 12/28/2021 |

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 469

PUBLIC PURPOSE FUNDING SURCHARGE - OREGON

APPLICABLE:

Adjustments under this schedule are applicable to all bills calculated under all schedules of this Tariff.

PURPOSE:

The purpose of this schedule is to collect funds to be used to fund energy efficiency programs administered through the Energy Trust of Oregon (ETO) and the Company.

MONTHLY RATE:

A public purpose charge, based on a percentage of revenues on an annualized basis, will be collected through monthly charges for the purpose described above. The Commodity Charge per therm of the individual rate schedules are to be adjusted by the following amounts:

| <u>Rate Schedule</u> | <u>Rate</u> |
|----------------------|---------------------|
| Schedule 410 | \$0.06765 per Therm |
| Schedule 420 | \$0.05823 per Therm |
| Schedule 424/425 | \$0.03003 per Therm |
| Schedule 444 | \$0.03106 per Therm |

(I)
(I)
(I) (N)
(I)

DETERMINATION OF RATE

The Company will annually determine if the Public Purpose Funding Surcharge for energy efficiency programs administered by the ETO and the Company needs to be adjusted so that forecasted collections, plus any unspent collections, are sufficient to meet all programming needs by the ETO and the Company. Any adjustments needed will take place on the 1st of each year.

SPECIAL TERMS AND CONDITIONS:

1. The annual budget funds collected to be transferred to the ETO will be calculated in partnership with the Company and the ETO.
2. The monies collected under this schedule for the purposes of funding energy efficiency program delivered by the ETO will be transferred to the ETO monthly.
3. The Company will retain a portion of the funding collected under this schedule to fund Schedule 485, Avista Oregon Low Income Energy Efficiency Program ("AOLIEE") as well as administrative and marketing expenses.

Advice No. 21-09-G
Issued November 23, 2021

Effective For Service On & After
January 1, 2022

Issued by Avista Utilities
By



Patrick Ehrbar, Director of Regulatory Affairs

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 470

VOLUNTARY ON-BILL REPAYMENT (OBR) PROGRAM

PURPOSE:

The purpose of this schedule is to describe the On-Bill Repayment (OBR) service that Avista will provide to its Oregon customers, administered through the Energy Trust of Oregon (ETO) using and a third-party loan servicer. This program will enable Customers to access financing for energy efficiency measures through specific ETO Programs. These loans can be repaid using the Company's OBR service, which allows the monthly loan repayment amount to be included on the Customer's natural gas utility bill. Loans established through ETO that utilize the Company's OBR component are hereafter referred to as "Energy-Smart Loans".

AVAILABLE:

To all residential Customers in the State of Oregon where the Company has natural gas service available, who have obtained a loan offered through a program managed by the ETO or its designated representatives approved by the Company, subject to the specifications contained herein.

APPLICABLE:

This OBR Program is applicable to all residential Customers taking service under Schedule 410 that have obtained an Energy-Smart Loan and for whom natural gas is the primary heat source.

DESCRIPTION:

Customers who obtain an Energy-Smart Loan will receive a loan repayment charge as a separately itemized charge on their monthly bill for natural gas service. This charge will remain until such time as:

- a. the Customer has failed to make timely loan repayments and delinquency has exceeded program limitations; or
- b. the Customer's natural gas service account has been closed; or
- c. the loan servicer provides written notification to the Company to remove the billing; or
- d. the repayment timeframe is completed.

SPECIAL PROVISIONS:

1. A Customer's decision to obtain an Energy Smart Loan will not affect the Customer's ability to establish credit with the Company, nor will it have an effect on a Customer's ability to receive reliable natural gas service. Any default on the Customer's Energy-Smart Loan will not result in collections

Advice No. 21-09-G
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AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 470 (Continued)

VOLUNTARY ON-BILL REPAYMENT (OBR) PROGRAM

- activity or potential interruption of natural gas service from the Company. The Company will communicate this in writing to Customers who participate in the OBR program.
2. The Company is not responsible for determining credit worthiness for the loan, assessing cost-effective improvements, measuring, or verifying the work performed, financing or determining the monthly loan repayment amount to be billed.
 3. The loan servicer is responsible for determining the monthly billing amount for each loan and the number of months each Customer should be billed. The monthly billing amount and billing duration will be communicated to the Company only for purposes of billing the Customer.
 4. By obtaining an Energy-Smart Loan, the Customer will be responsible to remit the monthly loan repayment amount to the Company with their monthly bill payment for natural gas services.
 5. ETO or the loan servicer must obtain written consent from the participating Customer that states that the Customer agrees to allow the Energy-Smart Loan to be billed through Avista.
 6. The specified loan repayment amount will be billed according to the Customer's standard billing cycle and payment will be required by the due date assigned to the natural gas service charges. The Customer may not select a preferred due date that falls outside of the Company's standards for natural gas service charges.
 7. Monthly payments received from Customers participating in the OBR program will be allocated in the following manner:
 - a. All payments received by the Company toward the Customer's account that are less than the total amount billed for the combined charges related to the provision natural gas service and the monthly loan amount by the Company will first apply toward those charges related to the provision of natural gas service—including deposits, current charges, past due amounts and other services billed to the Customer by the Company for purposes of providing natural gas service. Any underpayment of the monthly loan amount will be added to the subsequent month's bill. Late payment fees and returned check charges will be charged in accordance with Rule No. 9 of this tariff.

Advice No. 21-09-G
Issued December 20, 2021

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AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 470 (Continued)

VOLUNTARY ON-BILL REPAYMENT (OBR) PROGRAM

- b. Any payment to the Customer's account that *exceeds* the full monthly amount due (overpayment) will remain on the Customer's account. The excess credit created by this overpayment will apply to future billing charges as designated above. The Customer may contact the Company to request refund of any overpayment. All intended payment(s) toward the loan amount in excess of the calculated monthly repayment amount due on the Customer's statement shall be paid directly by the Customer to the loan servicer.
8. The Company will not a) accept loan payoffs, b) issue refunds on loan payments (except as noted herein for overpayments), c) offer payment arrangements on loan amounts due, or d) allow energy assistance to be applied to loan balances. The Company will refer Customer disputes regarding such matters to the loan servicer.
9. The Company is solely a billing agent for ETO and the loan servicer. Participating Customers shall hold Company harmless from any liability arising from or related to contractors' actions with regard to installation of energy efficiency measures resulting from this program.
10. The Company is not responsible for any financial assurances given or guarantees as to the net financial benefit of dollars spent on energy efficiency upgrades as it relates to dollars saved on energy consumption that may be conveyed to participants in ETO-managed loan programs by the ETO, its contractors, or other parties.
11. Recovery of the loan amount and all interest and associated expenses are the sole responsibility of the loan servicer.
12. If a customer misses two consecutive Energy-Smart Loan payments, the loan servicer will remove the Energy-Smart Loan from the Company's OBR program and follow-up with the customer directly.
13. The Company is not responsible for Customer questions and disputes related to the loan, or the Customer's perceived or real experience related to any portion of the loan or energy efficiency measures.
14. ETO and the loan servicer must provide evidence to the Company's satisfaction of its compliance with the Federal Trade Commission's FACTA Identity Theft Prevention Program (16 C.F. R. § 681) upon request.
15. The provision of OBR services will not affect the Company's compliance with all Division 21, Utility Regulation, Oregon Administrative Rules (OARs).

Advice No. 21-09-G
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AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 470 (Continued)

VOLUNTARY ON-BILL REPAYMENT (OBR) PROGRAM

RULES AND REGULATIONS:

Service under this schedule is subject to the General Rules and Regulations contained in the tariff of which this schedule is a part, and to those prescribed by regulatory authorities.

Advice No. 21-09-G
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AVISTA CORPORATION
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SCHEDULE 488

PROMOTIONAL CONCESSIONS - OREGON

PURPOSE:

The purpose of this schedule is to summarize the major features of promotional concessions offered by the Company. The terms and conditions of the concessions are specified in greater detail in the descriptions of the Company's promotional programs subject to OAR 860-26-025, which are available for public review in the Company's main and district offices in Oregon, and at the Commission office in Salem.

TERRITORY:

This schedule is applicable to the entire territory in the State of Oregon served by the Company.

PROMOTIONAL CONCESSIONS:

1. Equipment Financing Program

A. APPLICABILITY

Applicable to residential dwelling units.

B. DESCRIPTION

Financing is available from the Company for the purchase and installation of new natural gas fueled equipment. Upon approval of credit, a loan will be granted requiring no down payment and no penalty for early repayment. The maximum loan term is 5 years (60 months). The interest rate fluctuates with the natural gas equipment installed. The minimum monthly payment, per loan type, is \$20. The interest rate is fixed for the term of the loan. A security agreement is required on loans over \$750. Loan fees for a credit check and for lien filings are charged at the Company's current cost. Electric air conditioners, electronic air filters and thermostats will be financed within loan limits when installed at the same time. The maximum loanable amount is \$400 for air filters and \$250 for thermostats. Bid sheets are required and must be itemized with the cost per each item.

(continued)

Advice No. 08-02-G
Issued March 31, 2008

Effective For Service On & After
April 1, 2008

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 488 (continued)

PROMOTIONAL CONCESSIONS - OREGON

C. LOAN TERMS

| MAXIMUM EQUIPMENT | INTEREST | |
|---|-------------------------------------|--------------------|
| | RATE | LOAN |
| WATER HEATERS | As may be charged by the Company | \$ 750 |
| FORCED AIR FURNACES NEW OR REPLACEMENT WITH OR WITHOUT A/C WITH WATER HEATER | As may be charged by the Company | \$4,000 \$4,750 |
| WALL FURNACES/SPACE HEATERS WITH WATER HEATER | As may be charged by the Company | \$1,500 \$2,250 |

2. Water Heater Program

A. APPLICABILITY

Applicable to residential dwelling units and commercial buildings.

B. DESCRIPTION

The Company will provide funding, toward the purchase of a gas water heater, to new or existing customers that meet all of the following criteria:

- (1) A natural gas line on the premises.
- (2) At application, use an energy source other than natural gas for heating water.
- (3) The Company will verify that a gas water heater has been installed, prior to payment of any grant.

Buildings considered "new construction" do not qualify for this program.

Pool and spa heaters do not qualify for this program.

C. EXPIRATION / REVIEW DATE

This program will be offered, as necessary, in response to competitive pressures.

(continued)

Advice No. 08-02-G
Issued March 31, 2008

Effective For Service On & After
April 1, 2008

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 488 (continued)

PROMOTIONAL CONCESSIONS - OREGON

3. Co-op Advertising

A. APPLICABILITY

Applicable to dealers who bid, sell, and install natural gas equipment and major developers who have built a minimum of 10 homes with natural gas heat and natural gas water heat during the previous two years or committed to build 5 natural gas homes in the next 12 months.

B. DESCRIPTION

The Company will contribute 50% of the cost of an advertisement featuring natural gas space and/or water heating equipment that includes the theme "THE NATURAL GAS ADVANTAGE - ASK FOR IT!" and contains the Company's logo. The Company's contribution will not exceed \$250 per month per dealer/developer. Advertising must be pre-approved by the Company.

4. Builder Advertising Credit Program

A. APPLICABILITY

Applicable to builders who install natural gas equipment in new residential construction.

B. DESCRIPTION

The Company will give builders credit for homes built incorporating natural gas space and water heating. Furnaces installed under this program must feature automatic ignition as a minimum requirement.

The credit may be used for 1) any bonafide promotion of the builder's projects which feature natural gas space and water heating, 2) a discount when a builder is purchasing merchandise from the Company, or 3) offsetting the extra expenditures that the builder experiences when installing natural gas equipment.

(continued)

Advice No. 08-02-G
Issued March 31, 2008

Effective For Service On & After
April 1, 2008

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 488 (continued)

PROMOTIONAL CONCESSIONS - OREGON

5. Unregulated Fuel Switching Program

A. APPLICABILITY

Applicable to Schools and Governmental entities and related buildings served by Avista Utilities that are classified under the following Standard Industrial Classifications (SIC) Codes:

| <u>Educational Services</u> | <u>SIC Code</u> |
|--------------------------------|-----------------|
| Elementary & secondary schools | 8211 |
| Colleges & universities | 8221 |
| Junior Colleges | 8222 |
| Vocational schools | 8249 |

| <u>Executive, Legislative & General</u> | |
|---|------|
| Executive Offices | 9111 |
| Legislative bodies | 9121 |
| Executive and legislative combined | 9131 |
| General government | 9199 |

| <u>Justice, Public Order & Safety</u> | |
|---|------|
| Courts | 9211 |
| Police protection | 9221 |
| Legal Counsel & Prosecution | 9222 |
| Correctional institutions | 9223 |
| Fire protection | 9224 |
| Public Order and Safety | 9229 |

| <u>Other</u> | |
|-------------------|------|
| US Postal Service | 4311 |

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Advice No. 08-02-G
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April 1, 2008

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 488 (continued)

PROMOTIONAL CONCESSIONS - OREGON

B. DESCRIPTION

The Company will assist our customers, with a conversion from an unregulated fuel to natural gas, by financing (through a surcharge mechanism as described below) the installation of HVAC equipment, water heating/conditioning equipment, energy management control systems, motor vehicle fuel conversion equipment, and motor vehicle fueling equipment.

The Customer shall enter into a financing contract that will repay, to the Company, the full cost of the installed equipment (principle and interest) within a period of up to sixty months from the contract date. The contract repayment shall occur through a surcharge mechanism which calculates a surcharge for each therm of natural gas used by the customer during the period of the contract. The financing contract will have an "Annual Minimum Usage" clause that provides for repayment upon demand, if the customer uses less natural gas than estimated.

The surcharge per therm will be determined, using the following formula:

$$\text{Surcharge per Therm} = \frac{\text{Customer's Contract Payment}^*}{\text{Customer's Estimated Therm Consumption}^{**}}$$

*Customer's Contract Payment = $(P \times r \times t)$ where:

P = Cost of Customer Equipment (Vendor bid price)

r = Avista Utilities currently authorized rate of return.

t = Term of customer repayment contract with Avista Utilities.

**Estimated Therm Consumption =

Customer's current BTU usage converted to equivalent BTU's of Natural Gas.

RULES AND REGULATIONS:

Service under this schedule is subject to the General Rules and Regulations contained in the tariff of which this schedule is a part, and to those prescribed by regulatory authorities.

Advice No. 08-02-G
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April 1, 2008