

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 466

CONSERVATION INVESTMENT MECHANISM - OREGON

APPLICABLE

This Conservation Investment Mechanism (CIM) shall apply to all Gas Sales Service Rate Schedules in this tariff. The rates set forth by this Schedule are included in Schedule 478, DSM Cost Recovery.

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PURPOSE

The purpose of this provision is to allow the Company to adjust rates subject to this provision. The adjustments will be to recover prudent investment costs associated with OPUC-approved Demand Side Management (DSM) program(s). This provision also allows recovery of net lost margin resulting from energy savings achieved through approved DSM program(s).

ADJUSTMENT DATE

The Company shall file for rate changes to recover DSM program investment costs and net lost margins through Schedule 478 with an effective date concurrent with the Company's annual Purchased Gas Cost Adjustment (PGA) filing.

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AMOUNT OF ADJUSTMENT

DSM Investment:

All reasonably incurred direct costs associated with approved DSM program(s) will be accumulated in Account 186 and will be amortized over an agreed upon period. Program specific advertising expenses will also be recovered upon approval by the OPUC. The total annual amortization expense associated with the DSM program costs, including a return on the unamortized account balance(s) at the Company's allowed rate of return, will be included as a periodic rate adjustment concurrent with the Company's annual PGA filing. The rate adjustment will be spread on an equal cents/therm basis to all gas sales service customers based on the sales volumes used in the annual PGA filing.

Lost Margin Recovery:

Net lost margins, not included in rates, associated with estimated therm savings resulting from approved DSM programs will be recorded monthly in Account 186. A temporary rate adjustment will be implemented to recover the amount recorded in Account 186 over a period of one year, on an equal cents per therm basis to all system supply sales volumes based on the volumes used in the PGA filing. Estimated therm savings, and associated net lost margins used in developing the temporary rate adjustments, will be subject to true-up to reflect the measure-

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By Kelly Norwood, Vice President,

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SCHEDULE 466 (continued)

CONSERVATION INVESTMENT MECHANISM - OREGON

Lost Margin Recovery: (continued)

-ment, evaluation and verification of therm savings and net lost margins actually experienced during the period estimated.

As a general principal, net lost margins recoverable in rates for each approved DSM program will be calculated as:

$(TR - GC - TRA) * TH$ where:

TR = The tariff rate (applicable to the customers targeted by the particular DSM program) in effect during the period for which the savings were calculated;

GC = The weighted average cost of gas including all charges related to pipeline transportation.

TRA = All temporary rate adjustments in effect and applicable to the tariff rate above; and

TH = The achieved therm savings for the specific measure in the approved DSM program, since the effective date of the most recently approved rate case.

GENERAL RULES AND REGULATION:

This schedule is subject to the general rules and regulations contained in this tariff and to those prescribed by regulatory authorities.

GENERAL PROVISION:

The CIM is a periodic rate adjustment as described in ORS 757.259.

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