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July 10, 2019

Mr. Mark Johnson  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Olympia, Washington 98503

**RE: Avista Corporation Affiliated Interest Filing pursuant to RCW 80.16.020**

**Transaction: Lease Agreement between Avista Corporation, d/b/a Avista Utilities and 611 East Sprague, LLC, a subsidiary of Avista Capital**

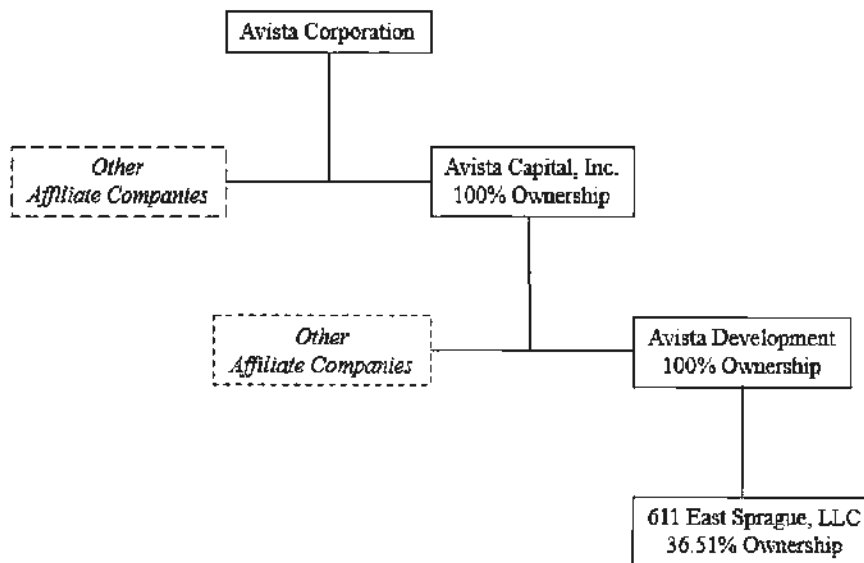
Dear Mr. Johnson,

Pursuant to RCW 80.16.020 and WAC 480-100-245, please find enclosed for filing an original and three copies of the "Commercial Lease" between Avista Corporation ("Avista") and 611 East Sprague, LLC ("611"), an affiliate of Avista. Avista is providing notice to the Commission that it is Avista's intent to enter into a lease agreement with 611 to occupy space in the Spokane Eco District Hub Building, which space will be used as an integrated research and testing facility.

**Background**

As illustrated in the organizational chart below, Avista Development, Inc., a subsidiary of Avista Capital Inc. and, by extension, Avista Corporation, holds a 36.51% ownership interest in 611. Consequently, 611 is an affiliate. The Commercial Lease is attached hereto as Confidential Attachment A.

**Organizational Chart**



## **About the Building**

611 was created for the purpose of constructing and managing the Spokane Eco District Hub Building (“Hub Building”), which will provide, among other things, centralized heating, cooling and other services to buildings located within the Eco District in Spokane, Washington. The Eco District is a private development combining universities and private industry to address the challenges of delivering clean, efficient and secure energy. The flagship of the Eco District is the Catalyst building, which will be net zero and carbon free, and which is designed to be one of the most energy efficient commercial buildings in the United States. The centralization of heating, cooling and other services within the Hub Building presents a unique opportunity to explore and test the integration of renewable energy resources, energy optimization, and collaborative resource use; there is no other building in the region which can provide this unique opportunity.

Avista Corporation intends to lease up to 10,000 square feet<sup>1</sup> within the Hub Building for use as an integrated research and testing facility. The integrated test facility will consist of collaborative office, meeting, testing and demonstration facilities to certify and integrate third party products and solutions into the Eco District. The integrated test facility will develop capability to test and certify power electronics, inverters, digital relays, intelligent electron devices and static Var compensators which represent a small sample of the advancing electronic technology being deployed for smart grid programs.

To date, a significant barrier to the deployment of new resources and “Internet of Things” (“IoT”) devices on the grid has been the inability to gain confidence in the procedures necessary to seamlessly integrate those devices with internal utility processes, such as electric vehicle charging stations, Automated Meter Infrastructure (“AMI”), and smart sensors. The integrated test facility will provide hands on experience necessary to establish appropriate protocols for integration, protection and operation of such devices, allowing for larger integration with other grid assets. Often these IoT devices are being developed by business entities with less experience with utility distribution standards and operational requirements. With the advancement of communication technologies, the utility will be required to test and certify the reliability, availability, security and resilience of a variety of new communication technologies enabling smart grid and customer solutions. The integrated test facility provides a platform to validate product capability, security and integration prior to potentially deploying the solution on Avista’s production and delivery system.

## **Terms of the Contract**

A summary of the primary terms of the Commercial Lease Agreement, a copy of which has been included as Confidential Attachment A, are as follows:

- a) Avista Corporation will lease no more than approximately 10,000 square feet of space within the Hub Building.
- b) The Lease will commence upon substantial completion of the Hub Building construction, or February 2020, whichever occurs later.
- c) The initial term of the Lease is 12 years.
- d) Avista will hold two (2) voluntary renewal options, each of which can be utilized to extend the Lease for an additional five (5) year term.

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<sup>1</sup> The premise and rentable square footage of the premise is yet to be finalized, however the square footage will not exceed 10,000 square feet. The final rentable square footage of the premise will be certified by an architect after completion of the shell of the building, at which time a “Confirmation of Rentable Square Footage” will be completed and provided as a supplement to the lease.

- e) Gross monthly rent during the term of the Lease is set forth in the Confidential Attachment A. Confidential Attachment B includes the approximate allocation of monthly rents that will be charged to Washington customers.
- f) Other terms and conditions are customary of a commercial gross lease (insurance, building rules, etc.)

**The Lease Agreement is in the Public Interest**

For the reasons discussed earlier, Avista believes this Commercial Lease is in the public interest. Avista respectfully requests that the Commission complete its review of this agreement and promptly notify the Company if it believes that the agreement is inconsistent with public interest.

In accordance with WAC 480-07-160, Avista Corporation requests confidential treatment of the Commercial Lease Agreement provided in Attachment A and Washington's allocation of monthly rents provided in Attachment B. These attachments are marked "Confidential."

Please direct any question regarding this filing to Jennifer Smith at (509) 495-2098.

Sincerely,



Patrick Ehrbar  
Director of Regulatory Affairs