

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of  
  
Avista Corporation, dba Avista Utilities

For an Order Approving a Service  
Territory Agreement Between Avista  
Corporation and Inland Power and  
Light Company.

DOCKET UE-141029

ORDER 01

ORDER APPROVING SERVICE  
TERRITORY AGREEMENT

**BACKGROUND**

- 1 On May 13, 2014, Avista Corporation, dba Avista Utilities (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition requesting that the Commission issue an order approving a proposed Service Territory Agreement (Agreement) between the Company and Inland Power and Light Company (IPL). Avista is a utility that provides service to approximately 360,000 electric customers and 226,000 natural gas customers in eastern Washington and northern Idaho. The largest community the Company serves is Spokane, Washington. IPL is an electric cooperative serving approximately 39,000 customers in eastern Washington, including areas around Spokane.
- 2 On May 19, 2014, the Company filed electronic GIS shape files of the map included as Exhibit A to the Agreement.
- 3 The Commission approved previous service territory agreements between Avista and IPL on November 21, 1973, and October 9, 1998. The term of the 1998 agreement was fifteen years and the term shall continue unless terminated by either Party.<sup>1</sup> On April 25, 2014, Avista and IPL (Parties) signed a new Agreement as attached to this petition. The new Agreement builds upon the prior two agreements. It modified language in some sections to add clarity.

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<sup>1</sup> UE-981149, Order Approving Service Territory Agreement.

4 The Agreement contains the following main provisions:

- **Services to Existing Customers:** Neither Party will extend its electric service facilities to, or solicit electric service from, a customer that is currently being served by the other Party. Neither Party will extend its electric service facilities to provide service to a location where the electric service is not currently connected but was served within the previous two years by the other Party.
- **Services to Expansions of Existing Customers:** The Party providing service to a customer at a particular location will provide service to any expansion at that location for a contiguous facility or on contiguous property and not crossing any roads. The Party providing service to a Development will serve Expansions to the Development, regardless of service territory boundaries, if the Expansion is part of the developer's original approved plat at the time the Development started. This does not include any revised plats that expand the area covered by the original plat.
- **Services within Assigned Areas:** Neither Party will extend its electric facilities to serve a customer within the other Party's assigned area unless such exception is mutually agreed upon in writing. Assigned areas are specified in the color coded map contained in Exhibit A of the Agreement. Any changes or modifications to the map must be agreed upon in writing by authorized representatives of each Party and incorporated into the Agreement as an amendment.
- **Services to New Customers in Unassigned Areas:**
  - If one Party has existing electric facilities located within one quarter mile of the metering point of a new customer and the other Party does not, then the closer Party shall provide service.
  - If both Parties have existing electric facilities located within one quarter mile of the metering point, and the difference between the measured distances from each Party is 20 feet or less, the customer may choose the serving party.
  - If neither Party has existing electric facilities located within one quarter mile of the metering point, the customer may choose the serving party.
  - If a new customer's load is an Industrial Load, the customer may choose the serving party regardless of the distances.

- Rules Regarding Distance Measurement for Customers in Unassigned Areas:
  - Distance measurements will be made from the takeoff point of the existing electric facilities along the proposed route of construction to the permanent metering point of delivery to the first customer. Both Parties agree to make reasonable efforts to ensure that the actual route does not deviate materially from the proposed route.
  - The following lines may not be used as a starting point for distance measurements until seven years after construction: Tie-lines; prebuilt lines that are not requested in writing by a customer; or dedicated lines that are in place to serve either Party's own office or warehouse facilities and built after the effective date of this Agreement.
  - In no cases will lines that are built to serve insignificant loads such as security lights or lighted signs be used as a starting point for measurement, regardless of when constructed.
  
- Excluded Areas and Customers: The Parties agree that Fairchild Air Force Base and Westbow Area are open for competition. The Agreement does not apply to offices or warehouses owned by either Party.
  
- The Agreement provides assistance by the Commission in dispute resolution, including disputes involving customers.

5 There are minor revisions to the service territory map. A few additional geographic areas have been designated to each utility for service to new customers.

6 The Agreement has a primary term of fifteen years. However, either Party can terminate the Agreement after ten years by providing written notice 180 days prior to the desired cancellation date.

### DISCUSSION

7 The Agreement is filed pursuant to RCW 54.48.020 and 54.48.030. RCW 54.48.020 encourages the service territory agreement between public utilities and cooperatives to avoid facility duplication. It states:

The legislature hereby declares that the duplication of the electric lines and service of public utilities and cooperatives is uneconomical, may create unnecessary hazards to the public safety, discourages investment in permanent underground facilities, and is unattractive, and thus is contrary to the public interest and further declares that it is in the public interest for public utilities and cooperatives to enter into agreements for the purpose of avoiding or eliminating such duplication.

8 RCW 54.48.030 provides the Commission's authority to approve service territory agreements. It states:

[A]ny public utility and any cooperative is hereby authorized to enter into agreements with any one or more other public utility or one or more other cooperative for the designation of the boundaries of adjoining service areas which each such public utility or each such cooperative shall observe, for the establishment of procedures for orderly extension of service in adjoining areas not currently served by any such public utility or any such cooperative and for the acquisition or disposal by purchase or sale by any such public utility or any such cooperative of duplicating utility facilities, which agreements shall be for a reasonable period of time not in excess of twenty-five years: PROVIDED, That the participation in such agreement of any public utility which is an electrical company under RCW 80.04.010, excepting cities and towns, shall be approved by the Washington utilities and transportation commission.

9 Avista asserts, and Commission's regulatory staff (Staff) agrees, that the negotiated Agreement is in the public interest and consistent with RCW 54.48.020. The Agreement will minimize the potential duplication of facilities between the two utilities to serve new customers, encourage the installation of permanent facilities and reduce possible hazards to the public safety. The Agreement will also minimize the potential stranding of electric service facilities presently in place to serve existing customers.

10 The Commission agrees with Staff's analysis that Avista and IPL have entered into an agreement that meets the policy objectives of the statute. The Agreement designates a specific service provider in most areas. For areas where both utilities can reasonably

serve new load and new customers, the two utilities have established explicit rules that provides for an orderly extension of service. Furthermore, the Agreement also recognizes the unique nature of large customers and allows those large load customers to choose the serving utility.

### FINDINGS AND CONCLUSIONS

- 11 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, and accounts of public service companies, including electric companies.
- 12 (2) Avista is an electric company and a public service company subject to Commission jurisdiction.
- 13 (3) On May 13, 2014, Avista filed a petition requesting the Commission enter an order approving a proposed Service Territory Agreement between the Company and IPL.
- 14 (4) The Service Territory Agreement will minimize the potential uneconomic duplication of facilities, will avoid creating unnecessary hazards to public safety, and will promote the orderly extension of service, thereby promoting the public interest.
- 15 (5) The terms of the proposed Service Territory Agreement are consistent with the public interest and the public policy set forth in RCW 54.48 encouraging the use of service territory agreements. The Service Territory Agreement should be approved.

### ORDER

#### THE COMMISSION ORDERS That:

- 16 (1) The proposed Service Territory Agreement between Avista Corporation, dba Avista Utilities and Inland Power and Light Company is approved.

- 17 (2) The Commission retains jurisdiction as necessary to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective June 12, 2014.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**STEVEN V. KING, Executive Director and Secretary**