

Agenda Date: November 10, 2004  
Item No.: A1

**Docket: UE-041234**  
**Application for Order approving Service Territory Agreement  
between PSE and City of Centralia**

Company Name: Puget Sound Energy

Staff: Hank McIntosh, Regulatory Analyst

### **Recommendation**

Approve the participation of Puget Sound Energy in the Service Territory Agreement (STA).

### **Background**

Puget Sound Energy is an electric utility regulated by the Commission serving parts of western Washington, including parts of Thurston county.

City of Centralia (Centralia) is a municipal corporation organized under the laws of the state of Washington. Centralia offers electric utility services and has customers in both Lewis and Thurston counties. The present service areas of PSE and Centralia overlap. The parties agree that there exists a duplication of distribution investment as a result.

PSE and Centralia have entered into an STA which, if the Commission approves PSE's participation, would delineate and separate their service areas. STA's, while apparently anti-competitive, serve the public interest in that they reduce duplicative investment in electric distribution property and reduce the chances of public safety concerns. The public policy supporting such agreements is expressed in RCW 54.48 which states that duplication of facilities is "uneconomical, may create hazards to public safety, discourages investment in permanent underground facilities, is unattractive, and thus is contrary to the public interest...."

It is Staff's understanding that service territory agreements are immune from antitrust laws if the agreement is actively supervised by a State regulatory agency such as the WUTC, pursuant to a clearly articulated state policy such as RCW 54.48.

### **Features of the STA**

1. The agreement specifies the Thurston – Lewis county line as the boundary between the territories.
2. The agreement specifies a process for adjustment of the territorial boundary.
3. The agreement contains a rule for identifying the responsible provider in cases where customer property overlaps the boundary. The rule is that the location of the *meter*, not the real property determines which party serves the load.
4. The agreement includes provision for pole attachment rights for the parties as well as terms for transfer of distribution property from Centralia to PSE. It also specifies a small group of properties whose provider will change, affecting 15 end users.
5. The term of STA in general and of its pole attachment provisions is 15 years, but the agreement allows for renewal for 10 additional years.
6. The agreement lists 15 customers (constituting 20 meters) which will change from Centralia to PSE and a list of four customers which will remain as Centralia customers, although they will be on the PSE side of the line.

### **Discussion**

The agreement will necessitate shifting some 15 consumers to a new provider. All of them will shift from Centralia to PSE. Centralia asserts that in order to continue reliable and safe service to these meters, a new investment in the system will be required. Thus, customer rates could increase. This and other matters were discussed in a public meeting with the customers affected in May 2004.

### **Summary**

It is Staff's view that any STA should satisfy these requirements:

- (1) The parties be electric utilities serving customers or likely to be serving them in the areas defined,
- (2) The STA cover subjects usually at the root of conflict between neighboring providers, and
- (3) The STA includes an unambiguous boundary dividing the territories and a rule for deciding utility service rights and obligations in case a customer facility or property straddles that boundary.

The STA between Centralia and PSE satisfies these requirements.

Both parties have signed the STA. The customers immediately affected by the change have been informed of the change, and their comments have been heard. Staff is unaware of any such customer who is dissatisfied with this change in service provider.

Commission approval of PSE's participation in the STA is in the public interest and within the authority of the WUTC to approve.

### **Conclusion**

Staff recommends the Commission grant the Application and issue an order approving PSE's participation in the service territory agreement filed in this docket.