



UE-141029-P

Avista Corp.
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

May 12, 2014

Steven V. King
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

RECEIVED
REGULATORY MANAGEMENT
2014 MAY 13 AM 10:05
STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

RE: Docket No. UE-14 _____
Petition of Avista Corporation for an Order approving a Service Territory Agreement with
Inland Power and Light Company

Dear Mr. King,

Enclosed is an original and twelve copies of Avista's Petition for an Order approving a Service Territory Agreement between Avista Corporation and Inland Power and Light Company.

Please direct any question regarding this filing to Patrick Ehrbar at (509) 495-8620.

Sincerely,

Kelly Norwood
Vice President, State & Federal Regulation

Enclosures

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	
)	Docket No. UE-14 _____
Avista Corporation, d/b/a Avista Utilities)	
)	PETITION OF AVISTA
For an Order Approving a Service Territory)	CORPORATION
Agreement Between Avista Corporation and)	
<u>Inland Power and Light Company.</u>)	

RECEIVED
REGISTRATION MANAGEMENT
2014 MAY -9 AM 9:17
STATE OF WASHINGTON
UTILITY AND TRANSPORTATION COMMISSION

I. INTRODUCTION

1 In accordance with RCW 54.48.030, Avista Corporation, doing business as Avista Utilities ("Avista" or "Company"), at 1411 East Mission Avenue, Spokane, Washington, hereby petitions the Commission for an order approving a proposed Service Territory Agreement ("Agreement") between the Company and Inland Power and Light Company ("IPL"), attached herewith as Exhibit 1.

2 Avista is a utility that provides service to approximately 360,000 electric customers and 226,000 natural gas customers in a 26,000 square-mile area in eastern Washington and northern Idaho. Avista Utilities also serves approximately 96,000 natural gas customers in Oregon. The largest community served by Avista is Spokane, Washington, which is the location of its corporate headquarters.

Please direct all correspondence related to this Petition as follows:

David J. Meyer, Esq.
Vice President and Chief Counsel for
Regulatory & Governmental Affairs
Avista Corp.
P. O. Box 3727
1411 E. Mission Avenue, MSC 27
Spokane, Washington 99220-3727
Telephone: (509) 495-4316
E-mail: david.meyer@avistacorp.com

Kelly Norwood
Vice President
State and Federal Regulation
Avista Corp.
P. O. Box 3727
1411 E. Mission Avenue, MSC 27
Spokane, Washington 99220-3727
Telephone: (509) 495-4267
E-mail: kelly.norwood@avistacorp.com

3 Statutes that may be brought at issue in this Petition include RCW 54.48.020 and RCW
54.48.030.

II. BACKGROUND

4 RCW 54.48.020 states that 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.”

5 Therefore, in order to implement the intent of the prior statute, RCW 54.48.030 states that
“any 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...”

6 On November 21, 1973, the Commission approved an agreement between Avista and IPL with a primary term of twenty-five (25) years. The original agreement designated the serving utility for certain territory in and around the city of Spokane. Upon expiration of the original agreement, Avista and IPL negotiated a second agreement that was signed by the two companies on August 28, 1998. The term of the second agreement was fifteen (15) years, and it was stated in the agreement that the term shall continue thereafter unless terminated by either party. Additionally, the second agreement contained twenty-five addenda which designated the serving utility for certain areas not addressed in the original agreement. The second agreement was approved by the Commission on October 9, 1998¹. Due to the expiration of the second agreement, Avista and IPL met and conferred over the past year with the purpose of negotiating the terms of a new service territory agreement. On April 25, 2014, Avista and IPL signed a new agreement, attached as Exhibit 1 (hereinafter “Agreement”).

III. PROPOSED AGREEMENT

7 The proposed Agreement is the result of negotiation between the two utilities. Both utilities support the Agreement as being in the public interest, consistent with RCW 54.48.020, as it will minimize the potential duplication of facilities between the two utilities to serve new customers, thus providing the most economic service to all customers in the long-run, encouraging the installation of permanent facilities, and reducing possible hazards to the public safety. Further, the proposed Agreement will minimize the potential stranding of electric service facilities presently in place to serve existing customers.

8 The Agreement states that existing customers will continue to be served by their existing utility, thereby minimizing potential duplication of facilities and stranded investment, and that

¹ Docket UE-981149, Order Approving Service Territory Agreement

any expansion of an existing customer's operation will be served by the utility serving the customer's original load. Additionally, in most instances, the utility with the closest electric facilities will serve a new customer. Under certain circumstances, the Agreement allows prospective customers to choose their service provider.

IV. TERM

9 The term of the Agreement is meant to continue for a primary term of fifteen (15) years; however, either party can terminate the Agreement after only ten (10) years by providing written notice 180 days prior to the desired cancellation date. The 180-day prior notice provision will provide the parties a reasonable opportunity to negotiate a new agreement prior to the termination of the Agreement.

V. DESIGNATED SERVICE TERRITORY

10 The Agreement incorporates all previously assigned service areas assigned to Avista or IPL and designated on the color coded map included in the Agreement as Exhibit A.

VI. SERVICE TO CUSTOMERS

11 The Agreement includes the following rules relating to the service of existing and new customers.

- a. **Services to Existing Customers:** Neither Party will extend its Electric Service Facilities to or solicit electric service from a customer(s) at a particular location that is currently being served by the other Party. In addition, neither Party will extend its Electric Service Facilities to provide service to a location where the electric service is not currently connected but which was served within the previous two (2) years by the other Party.
- b. **Services to Expansions of Existing Customers:**

- i. For expansions dealing with locations other than Developments: 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. This does not include any growth or development of a customer's own facilities at noncontiguous locations.
 - ii. For expansions dealing with Developments: 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. However, this does not include any revised plats that expand the area covered by the original plat.
- c. **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 maps contained in Exhibit A of the Agreement. Any changes or modifications to Exhibit A must be agreed upon in writing by authorized representatives of each Party and incorporated into this Agreement as an amendment.
- d. **Services to New Customers in Unassigned Areas:**
 - i. If one Party has existing Electric Facilities located within one-quarter (1/4) mile of the metering point of a new customer (and the other Party does not) then that Party shall serve.
 - ii. If both Parties have existing Electric Facilities located within one quarter (1/4) mile of the metering point, and the difference between the measured distance

from each Party is twenty (20) feet or less, the customer may choose the serving Party.

- iii. If neither Party has existing Electric Facilities located within one quarter (1/4) mile of the metering point, the customer may choose the serving Party.
- iv. If a new customer's load is an Industrial Load, the customer may choose the serving Party regardless of the distances set forth in subsections (i)(ii) and (iii).

e. Rules Regarding Distance Measurement for Customers in Unassigned Areas:

- i. 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.
- ii. Notwithstanding the above, the following lines may not be used as a starting point for distance measurements until seven (7) 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.
- iii. Additionally, in no case 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.

VII. SUPERVISION

12 The Agreement, which envisions active supervision by the Commission, provides for assistance by the Commission in dispute resolution, including disputes involving customers.

VIII. SUMMARY

13 The proposed Service Territory Agreement between Avista and IPL is the result of negotiation and is supported by both parties. The terms of the Agreement are consistent with the public interest and the public policy set forth in RCW 54.48, which encourages the use of service territory agreements. It will minimize any duplication of facilities between the two utilities in the future. The Agreement builds upon the prior two agreement between the two companies - service to existing customers is protected, additional geographic areas have been designated to each utility for service to new customers, and where geographic areas have not been designated, in most cases, specific rules are set forth to determine the serving utility.

IX. REQUEST FOR RELIEF

14 WHEREFORE, as described herein and set forth in the proposed Agreement, the Company respectfully requests that the Commission issue an order approving the Agreement, as required under RCW 54.48.030.

DATED this 12th day of May 2014

By: Kelly Norwood
Kelly Norwood
Vice President, Avista Corp.

VERIFICATION

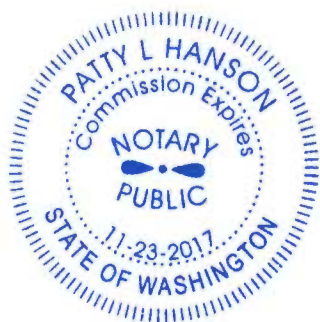
STATE OF WASHINGTON)
)
County of Spokane)

Kelly O. Norwood, being first duly sworn on oath, deposes and says: That he is a Vice President of Avista Corporation and makes this verification for and on behalf of said corporation, being thereto duly authorized;

That he has read the foregoing Petition, knows the contents thereof, and believes the same to be true.

Kelly O. Norwood

SIGNED AND SWORN to before me on this 12 day of May 2014



Patty L. Hanson

NOTARY PUBLIC in and for the State of Washington, residing at Spokane.

Commission Expires: 11/23/2017

SERVICE TERRITORY AGREEMENT

Between

AVISTA CORPORATION

and

INLAND POWER AND LIGHT CO.

THIS AGREEMENT is made and entered into this 25th day of April, 2014 by and between AVISTA CORPORATION, a Washington corporation ("Avista"), and INLAND POWER AND LIGHT CO., a Washington cooperative corporation ("Inland Power"). Avista and Inland are collectively referred to as the "Parties" in this Agreement.

RECITALS

WHEREAS, the legislature of the State of Washington in 1969, enacted RCW 54.48 et. seq. declaring certain legislative policy and providing a mechanism for agreement between public utilities and cooperatives;

WHEREAS, the aforementioned legislation provides that it is in the public interest for public utilities such as AVISTA and cooperatives such as Inland Power to enter into agreements for the purpose of avoiding or eliminating duplication of service, and for other purposes stated in RCW 54.48 et. seq;

WHEREAS, RCW 54.48.030 provides that any such agreement in order to be effective shall be presented to and approved by the State of Washington Utilities and Transportation Commission ("UTC");

WHEREAS, the Parties entered into an Agreement dated June 12, 1973, which was presented to the UTC which approved the same by Order dated November 21, 1973;

WHEREAS, the Parties entered into a subsequent Agreement dated August 28, 1998, which was presented to the UTC which approved the same by Order dated October 9, 1998.

WHEREAS, the Parties desire to enter into a succeeding State of Washington service territory agreement under the declarations and mechanism provided for in RCW 54.48; and

WHEREAS, the Parties declare that the undersigned are authorized to enter into this Agreement as of the date above first written.

NOW, THEREFORE, the Parties hereby agree as follows:

1. AGREEMENT AS TO REGULATORY JURISDICTION: The Parties agree that Inland Power is governed by its Trustees and otherwise is not subject to the jurisdiction of the UTC, and nothing herein shall be construed to be an agreement or declaration conferring UTC jurisdiction upon Inland Power.

2. UTC APPROVAL REQUIRED: Notwithstanding, Section 1 above, the Parties acknowledge that Avista is subject to the jurisdiction of the UTC, and therefore, this Agreement must be approved by the UTC in accordance with RCW 54 .48 et. seq., and a true copy of any Order approving this Agreement, or any subsequent revision thereof, shall be attached as an appendix to this Agreement.

3. TERM: The term of this Agreement shall commence on the first business day following the effective date of an Order of the UTC approving this Agreement, and shall continue in effect for a period of fifteen (15) years, and will continue thereafter unless terminated by either Party as provided below in Section 7.

4. DEFINITIONS: The following terms shall have these meanings:

"Assigned Area": Assigned Areas are those services areas previously assigned to Inland or Avista and as designated on the color coded map included in this Agreement as Exhibit A.

"Developments" includes both residential and commercial lot to be developed by a common builder/contractor. Developments include all phases of the original approved plat. Malls qualify as a commercial development. However, multiple lots owned by a single entity (developer, other business, government entity or individual person) which are not part of an original plat are not considered a Development. Common ownership of contiguous, or adjacent, lot does not create a Development.

“Electric Service Facility” includes power poles, transformers, junction enclosures, vaults, pipes, wires, meters and other equipment associated with the delivery of electricity to end users, but it does not include lighted signs or security lights.

“Expansion” means the growth or development of a customer’s business or residence in a contiguous location.

“Industrial Load”: An Industrial Load is a load 3,000 KVA or greater. For purposes of determining the Industrial Load, the load size will be estimated by using fifty percent (50%) of the total connected load.

“Tie-lines” means those lines constructed by the utility to ensure system efficiency, reliability and operability.

“Unassigned Area” means: any area that has not previously been assigned to Inland or Avista as of the effective date of this Agreement.

5. RULES REGARDING SERVICES:

a. Services to Existing Customers: Neither Party will extend its Electric Service Facilities to or solicit electric service from a customer(s) at a particular location that is currently being served by the other Party. In addition, neither Party will extend its Electric Service Facilities to provide service to a location where the electric service is not currently connected but which was served within the previous two (2) years by the other Party.

b. Services to Expansions of Existing Customers:

(i) For Expansions dealing with locations other than Developments: 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. This does not include any growth or development of a customer's own facilities at noncontiguous locations.

(ii) For Expansions dealing with Developments: 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. However, this does not include any revised plats that expand the area covered by the original plat.

c. 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 maps contained in Exhibit A of this Agreement. Any changes or modifications to Exhibit A must be agreed upon in writing by authorized representatives of each Party and incorporated into this Agreement as an amendment.

d. Services to New Customers in Unassigned Areas:

(i) If one Party has existing Electric Facilities located within one-quarter (1/4) mile of the metering point of a new customer (and the other Party does not) then that Party shall serve.

(ii) If both Parties have existing Electric Facilities located within one quarter (1/4) mile of the metering point, and the difference between the measured distance from each Party is twenty (20) feet or less, the customer may choose the serving Party. The specific rules regarding the distance measurement are set forth below in subsection (e).

(iii) If neither Party has existing Electric Facilities located within one quarter (1/4) mile of the metering point, the customer may choose the serving Party.

(iv) If a new customer's load is an Industrial Load, the customer may choose the serving Party regardless of the distances set forth in subsections (i)(ii) and (iii).

e. Rules Regarding Distance Measurement for Customers in Unassigned Areas:

(i) 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.

(ii) Notwithstanding the above, the following lines may not be used as a starting point for distance measurements until seven (7) 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.

(iii) Additionally, in no case 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.

7. TERMINATION

a. Termination Upon Mutual Agreement: This Agreement may be terminated at any time upon mutual agreement of both Parties set out in writing.

b. Termination by One Party: After ten (10) years from the effective date of this Agreement either Party may terminate this Agreement by giving the other Party written notice one hundred eighty (180) days in advance of the desired termination date.

b. Upon Assignment or Acquisition: Either Party may terminate this Agreement with one hundred eighty (180) days prior written notice, in the event the other Party undergoes an acquisition, assignment or substantial sale of its assets.

8. RULES VARIANCE: Any variance from the provisions set forth in this Agreement may be made only upon mutual agreement of both Parties, as well as the permission of any person/entity directly affected by such variance. Any approved variance shall be described in writing and attached as an amendment to this Agreement and may be subject to regulatory review by the UTC.

9. EXCLUDED AREAS AND CUSTOMERS: This Agreement shall not apply to the following: (i) Fairchild Air Force Base as shown on the map in Exhibit A; (ii) to the "Westbow Area", also shown in Exhibit A; or (iii) to offices or warehouses owned by either Party to this Agreement.

10. DISPUTE RESOLUTION:

a. Initial Procedure: If a dispute arises between the Parties regarding the interpretation or application of this Agreement, or if a customer feels aggrieved regarding interpretation of the Agreement relative to its service, the Parties agree to meet with their representatives, and a representative of the customer if applicable, in an attempt to informally resolve the dispute.

b. Mediation: If the dispute cannot be resolved as set out in subparagraph (a) above, either Party may request mediation.

c. Customer Rights: In the event any dispute involves a customer who has claimed that either Party has not served the customer in a manner consistent with this Agreement, the customer must be included in the Initial Procedure and/or Mediation. In the event the dispute cannot be resolved by the Parties through the Initial Procedure or Mediation, that customer may be directed to file a complaint with the UTC. The UTC may then establish a procedure for dealing with the complaint, including, but not limited to the assignment of an arbitrator or mediator who will seek to resolve the issue. Nothing in this provision shall be interpreted to subject Inland Power to the jurisdiction of UTC, but both Parties hereto agree to abide by the decision of any arbitrator appointed to deal with the customer's grievance.

11. Miscellaneous Provisions

a. Changes in the Agreement. Any representation, promise, modification, or amendment to this Agreement will not be binding upon either Party unless reduced to writing and signed by each Party.

b. Assignment. Neither Party shall assign the Agreement or any right or interest in the Agreement without the prior written consent of the other Party, which consent will not be unreasonably withheld. This Agreement will be fully binding upon, inure to the benefit of and be enforceable by the successors, assigns and legal representatives of the respective Parties to the Agreement.

c. Severability. The invalidity or unenforceability of any provision of the Agreement will not affect any other provisions; the Agreement will be construed in all respects as if such invalid or unenforceable provisions were omitted.

d. Waiver of Provisions. The failure of either Party to insist upon or enforce strict performance by the other Party of any of the provisions or to exercise any rights under the Agreement will not be construed as a waiver or relinquishment to any extent of that Party's right to assert or rely upon any such provisions or rights in that or any other instance; rather, the same will be and remain in full force and effect.

e. Entire Agreement. The Agreement is the entire agreement between the Parties and supersedes all prior agreements and understandings between the Parties concerning its subject matter whether or not written.

f. No Third Party Beneficiaries. Nothing in the Agreement is intended to confer any right or benefit on a person or entity not a Party to the Agreement or impose any obligations of either Party to the Agreement on persons or entities not a Party to the Agreement.

g. Attorney's Fees. If any legal action or proceeding is brought by either Party against the other in connection with the Agreement, the Party in whose favor final judgment has been entered will be entitled to recover from the other Party, reasonable attorney's fees to be fixed by the court, together with all costs incurred by the prevailing Party in connection with such action or proceeding.

h. Governing Law and Venue. Any action at law or in equity to enforce the terms of the Agreement will be brought in Spokane County, Washington. The Agreement will be construed and interpreted in accordance with the laws of the State of Washington excluding any choice of law rules that may direct the application of laws of a jurisdiction other than Washington.

12. Notices/Party Representatives

All notices, demands, requests, and other communications under this Agreement must be in writing and sent by mail (postage prepaid), or delivered to the other Party either electronically or by a recognized commercial courier, addressed as set forth below. Such notices, demands, requests, and other communications will be deemed given as of the date delivered, or if sent electronically or by mail, upon receipt.

a. **Avista's Representative** will be the point of contact for Avista in all matters in connection with this Agreement. Avista's Representative for purposes of this Agreement is Steve Plewman.

Avista Corporation
PO Box 3727
Spokane, WA 99220-3727
Ref: Avista Contract M-17004

b. **Inland's Representative** will be the point of contact for Inland in all matters in connection with this Agreement. Inland's Representative for the purpose of this Agreement is

John Francisco.
Inland Power and Light Company
10110 W. Hallett Rd
Spokane, WA 99224

Either Party may change its address, designated Representative, or other point-of-contact or delegate by providing written notice to the other Party as set forth above.

This Agreement has been signed by each Party's authorized representative on the date(s) set forth below.

Avista Corporation

Inland Power and Light Company

Dennis Vermillion
(Signature)

John Francisco
(Signature)

Dennis Vermillion
(Printed Name)

John Francisco
(Printed Name)

Senior Vice President
(Title)

Chief of Energy Resources
(Title)

4/25/14
(Date Signed)

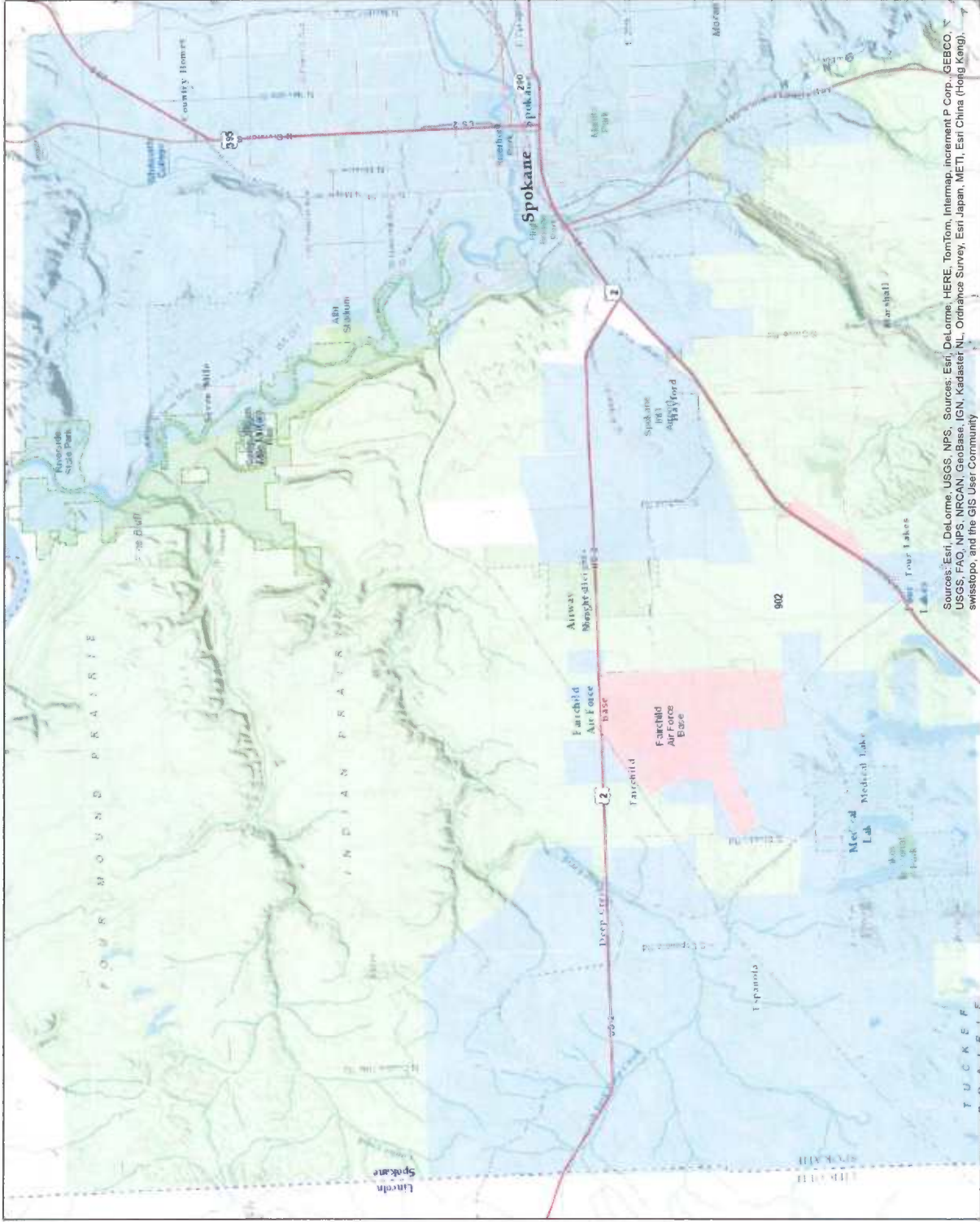
4-25-14
(Date Signed)

Exhibit A



Legend

- Open Competition - Rules Do Not Apply
- Avista
- Inland Power
- Open To Competition - Rules Apply



Sources: Esri, DeLorme, USGS, NPS, Sources: Esri, DeLorme, HERE, TomTom, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, Geobase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), Swisstopo, and the GIS User Community