

4 The proposed Service Area Agreement is attached to this order as Exhibit A. The proposed Transfer and Joint Use of Distribution Facilities Agreement is attached to this order as Exhibit B. The essence of the Service Area Agreement and Transfer and Joint Use of Distribution Facilities Agreement is as follows:

- (1) The term of the Service Area Agreement is ten (10) years.
- (2) The delineation of PSE's and Tanner's respective service area boundaries are consistent with legislative policy enunciated in chapter 54.48 RCW and are described in the Service Area Agreement attached as Exhibit A.
- (3) In order to effectuate the Service Area Agreement and to avoid duplication of electric facilities and unnecessary hazards to public safety, PSE has agreed to transfer certain distribution facilities and operating rights to Tanner. In exchange, PSE will receive from Tanner, \$576,684.94 as compensation, plus PSE's costs to cut-over facilities. According to PSE, this amount was reached through arms-length negotiations and represents fair value for the assets.
- (4) The Agreements provide for the transfer of 119 metered locations, 8 unmetered accounts, and 2 customers with 18 pole contacts from PSE to Tanner.
- (5) Service to a customer will be determined by "point of use of electricity rather than "point of delivery".
- (6) The parties have agreed to the joint use of certain poles and facilities in an area along S.E. North Bend Way in North Bend that is approximately between 436th Avenue SE and 468th Avenue SE.

COMMISSION DISCUSSIONS

5 The Service Area Agreement and Transfer and Joint Use of Distribution Facilities Agreement are filed pursuant to RCW 54.48.020 and 54.48.030. Those statutes provide:

RCW 54.48.020:

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.

RCW 54.48.030:

In aid of the foregoing declaration of policy, any public utility and any cooperative is hereby authorized to enter into agreements ... for the designation of the boundaries of adjoining service areas for 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.

- 6 According to Staff's analysis, the Service Area Agreement and Transfer and Joint Use of Distribution Facilities Agreement further the policy objectives established by the legislature in RCW 54.48.020. Staff states the area of service is defined and a rule is provided for determining the service provider if a customer's premise straddles the boundary line. This effectively avoids duplicative investment in distribution property.
- 7 The Commission agrees with Staff that the Service Area Agreement and Transfer and Joint Use of Distribution Facilities Agreement meet the policy objectives of the statute.
- 8 RCW 80.12.020 and WAC 480-143-120 require public service companies to obtain Commission approval before transferring property that is necessary or useful to perform their public duties, and WAC 480-143-170 requires such a transfer to be in the public interest.

FINDINGS AND CONCLUSIONS OF LAW

- 9 (1) The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of this proceeding.

- 10 (2) This matter came before the Commission at its regularly scheduled meeting on January 26, 2012.
- 11 (3) The Commission has reviewed the terms of the proposed Service Area Agreement and the Transfer and Joint Use of Distribution Facilities Agreement. Those terms are consistent with the public interest and the public policy set forth in RCW 54.48, which encourages the use of service territory agreements to prevent duplication of lines and facilities.
- 12 (4) PSE's Application and proposed Agreements meet the requirements of chapter 480-143 WAC for the transfer of property.
- 13 (5) The Commission finds and concludes that PSE's participation in the Service Area Agreement and Transfer and Joint Use of Distribution Facilities Agreement should be approved.

ORDER

THE COMMISSION ORDERS:

- 14 Puget Sound Energy's application for the proposed Service Area Agreement and Transfer and Joint Use of Distribution Facilities Agreement with Tanner Electric Cooperative filed by Puget Sound Energy, on January 4, 2012, is consistent with the public interest and approved as of the date of this Order.

DATED at Olympia, Washington, and effective January 26, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner