

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

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IDAHO PUBLIC
UTILITIES COMMISSION



August 14, 2014

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
W. 472 Washington Street
Boise, Idaho 83720

AVU-E-14-08

Dear Ms. Jewell:

Avista Utilities submits for approval by the Commission the original and seven copies of its "Application of Avista Corporation to Approve Electric Distribution Service Agreement with East Greenacres Irrigation District."

Please direct any questions on this matter to Patrick Ehrbar at (509) 495-8620.

Sincerely

A handwritten signature in black ink, appearing to read "David J. Meyer".

David J. Meyer
Vice President and Chief Counsel for
Regulatory and Governmental Affairs

enclosure

1 DAVID J. MEYER
2 VICE PRESIDENT AND CHIEF COUNSEL FOR
3 REGULATORY AND GOVERNMENTAL AFFAIRS
4 AVISTA CORPORATION
5 P.O. BOX 3727
6 1411 EAST MISSION AVENUE
7 SPOKANE, WASHINGTON 99220-3727
8 TELEPHONE: (509) 495-4316, FAX: (509) 495-8851
9 DAVID.MEYER@AVISTACORP.COM

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12
13 **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

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16 IN THE MATTER OF THE APPLICATION) CASE NO. AVU-E-14-08
17 OF AVISTA CORPORATION TO APPROVE) APPLICATION OF
18 ELECTRIC DISTRIBUTION SERVICE) AVISTA
19 AGREEMENT WITH EAST GREENACRES)
20 IRRIGATION DISTRICT)

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22
23 **I. INTRODUCTION**

24 Avista Corporation doing business as Avista Utilities (“Avista” or “Company”), at
25 1411 East Mission Avenue, Spokane, Washington, respectfully requests that the Commission
26 approve the Electric Distribution Service Agreement, provided here as Attachment A, with
27 East Greenacres Irrigation District (“East Greenacres”), sometimes hereinafter referred to
28 individually, as a “Party”, and collectively, as the “Parties”.

29 The Parties have entered into an Agreement to continue the delivery of United States
30 Bureau of Reclamation (“Bureau” or “Bureau of Reclamation”) energy over Avista-owned
31 and operated distribution facilities from Avista’s Post Falls Substation to the East Greenacres
32 delivery points. The Agreement is to become effective October 1, 2014, or the first day
33 following approval of the Commission.

1 The service provided under the Agreement is unique, and therefore more
2 appropriately provided under a special contract rather than a filed tariff. Further, the contract
3 is non-discriminatory and is not unreasonably preferential. The distribution charge included
4 in the Agreement is consistent with distribution charges embedded in current Idaho retail
5 rates. The incremental costs associated with providing service under the Agreement are less
6 than the charge for service, therefore, the revenue received from the Agreement provides a
7 contribution to Avista's fixed costs.

8 The Company requests that this filing be processed under the Commission's Modified
9 Procedure rules.

10 Communications in reference to this Application should be addressed to:

11 David J. Meyer, Esq.
12 Vice President and Chief Counsel for
13 Regulatory and Governmental Affairs
14 Avista Corporation
15 P.O. Box 3727
16 1411 E. Mission Avenue, MSC-13
17 Spokane, WA 99220-3727
18 Phone: (509) 495-4316
19 david.meyer@avistacorp.com
20

Patrick D. Ehrbar
Manager, Rates & Tariffs
Avista Corporation
P.O. Box 3727
1411 E. Mission Avenue, MSC-29
Spokane, WA 99220-3727
Phone: (509) 495-4975
pat.ehrbar@avistacorp.com

21 II. BACKGROUND

22 East Greenacres operates two pumping facilities located on the Rathdrum Prairie to
23 provide irrigation and domestic water supply to approximately 5,300 acres of land. East
24 Greenacres has been operating and maintaining these Bureau of Reclamation-built facilities
25 since December 31, 1976. East Greenacres receives electric power to operate these facilities
26 from the Bureau of Reclamation.

27 The electric power is delivered through Avista transmission and distribution facilities
28 to East Greenacres' delivery points. Since March 1, 2009, this service has been separated

1 into two service agreements, one for transmission and one for distribution, in order to
2 separate the provision of transmission and distribution service under their respective
3 jurisdictions – open access transmission service under the Federal Energy Regulatory
4 Commission (“FERC”) and transfer service over distribution facilities pursuant to applicable
5 requirements in the State of Idaho. Avista historically provided this service to East
6 Greenacres under an agreement on file with FERC since May 27, 1975.

7 The special contract filed herein provides for distribution service from Avista’s Post
8 Falls Substation over 13.2kV feeders to East Greenacres’ two pumping stations. Avista has
9 annually delivered approximately 3.8 million kilowatt-hours to East Greenacres pumping
10 facilities in recent years. The annual charge for distribution service under the existing
11 agreement is \$3,622.77 per month, or \$43,473.24 per year. This charge was approved by the
12 Commission in Order No. 30784 in Case No. AVU-E-09-02.

13 **III. TERMS OF AGREEMENT**

14 The Agreement, included as Attachment A, was executed on August 6, 2014 and
15 becomes effective following approval by the Commission. The term of the Agreement
16 coincides with the term of the Transmission Agreement, but may continue beyond the
17 expiration of the Transmission Agreement if East Greenacres continues to purchase
18 transmission service and additional time is needed to develop a follow-on distribution service
19 agreement. This provision ensures that there will be no gap in the Company’s ability to
20 charge East Greenacres for distribution service.

21 The charge for distribution service under the new Agreement is \$4,231.74 per month,
22 or \$50,780.88 per year. The distribution charge is based on East Greenacres’ peak demand-
23 ratio share of Distribution Facilities Costs derived from Avista’s last cost of service study

1 filed with the Commission in Case No. AVU-E-12-08 updated for the settlement adjustments
2 and revenue increase approved by Order No. 32769¹. The calculation of the monthly
3 distribution service fee is included in Exhibit 3 of Attachment A.

4 The Company does not have a tariff in place for customers who take service in a
5 manner similar to East Greenacres. In fact, East Greenacres is the only customer in Avista's
6 Idaho service territory who receive their power requirements from the Bureau of
7 Reclamation. Because the service characteristics are unique, and the distribution charge is
8 based on Commission-supported demand-based methodology, Avista believes that the
9 contract is not unreasonably preferential.

10 **IV. REQUEST FOR APPROVAL**

11 Avista, therefore, respectfully requests approval of the "Electric Distribution Service
12 Agreement" so that East Greenacres Irrigation District may receive Bureau of Reclamation
13 power at charges consistent with the distribution costs embedded in Idaho retail rates. The
14 incremental costs associated with providing service under the Agreement are less than the
15 charge for service, therefore, the revenue received from the Agreement provides a
16 contribution to Avista's fixed costs. The service provided under the Agreement is unique,
17 and therefore more appropriately provided under a special contract rather than a filed tariff.
18 Further, the contract is non-discriminatory and is not unreasonably preferential. Avista

¹ In the last agreement between Avista and East Greenacres (AVU-E-09-02), the agreed-upon monthly rate was derived using a jurisdictional energy methodology (load ratio share) versus a demand methodology. Idaho Commission Staff stated in their comments that they believe that "allocation of distribution facilities used by the irrigation district based on demand is more appropriate" because "the cost of distribution facilities is driven by demand rather than energy."

The Commission in its final Order No. 30784 stated "We acknowledge Staffs assessment of Avista's energy-based methodology as well as its efforts to develop a more appropriate demand-based methodology for use in future electric distribution service agreements. Thus, we strongly encourage the Company to offer its full cooperation toward the development of this alternate methodology". Therefore in the new agreement, the monthly rate is based on a demand methodology.

1 believes that the Agreement is in the best interest of the Customer, the Company, and Idaho
2 retail ratepayers.

3 DATED at Spokane, Washington, this 14th day of August, 2014.

4 AVISTA CORPORATION

5
6 By  _____

7 David J. Meyer
8 Vice President and Chief Counsel for
9 Regulatory and Governmental Affairs
10

**ELECTRIC DISTRIBUTION
SERVICE AGREEMENT**

THIS ELECTRIC DISTRIBUTION SERVICE AGREEMENT ("Agreement"), dated as of August 6TH, 2014, is entered into by and between Avista Corporation ("Avista") and East Greenacres Irrigation District ("East Greenacres"), hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties."

WITNESSETH:

WHEREAS, among other facilities, East Greenacres operates two pumping facilities located on the Rathdrum Prairie, (hereinafter collectively referred to as the "East Greenacres Unit"). Irrigation and domestic water for the East Greenacres Unit is furnished by ground water from wells ranging from 230 to 330 feet deep. The multipurpose pipeline system used by the East Greenacres Unit was constructed by the United States of America, Bureau of Reclamation ("Bureau") for year-round use. It was built to provide irrigation service to approximately 5,300 acres of land. Operation and maintenance of the East Greenacres Unit was assumed by East Greenacres on December 31, 1976; and

WHEREAS, pursuant to a separate arrangement between the Bonneville Power Administration ("Bonneville") and East Greenacres, Bonneville transmits and delivers the Bureau's energy to Bonneville's Bell Substation in Spokane, Washington; and

WHEREAS, Avista and the Bureau were parties to a Contract for Transmission Service dated May 27, 1975 (Avista FERC Rate Schedule No. 62; USBR Contract No. 14-06-100-8331) which was terminated on May 1, 2009, and which provided for transfer service to certain East Greenacres' loads; and

WHEREAS, Avista provides Firm Point-to-Point Transmission Service to East Greenacres pursuant to a separate agreement under Avista's Open Access Transmission Tariff, to transmit and deliver Bureau energy from Bonneville's Bell Substation to Avista's Idaho Road and Post Falls Substations ("Transmission Agreement"); and

WHEREAS, Avista owns and operates distribution facilities over which Avista delivers Bureau energy from Avista's Idaho Road and Post Falls Substations to the East Greenacres Unit; and

WHEREAS, East Greenacres and Avista are party to the Electric Distribution Service Agreement dated January 29, 2009, which expires under its own terms on September 30, 2014; and

WHEREAS, East Greenacres and Avista desire to enter into this Agreement for the continued delivery of Bureau energy from Avista's Idaho Road and Post Falls Substations across Avista's distribution system to the East Greenacres Unit pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein, the Parties agree as follows:

1. **Definitions.** In addition to words defined elsewhere in this Agreement as indicated with initial capitalization, whenever used in this Agreement, the terms below shall have the following meanings:
 - 1.1 "**Delivery Points**" means those points on Avista's electric system where Bureau energy transferred by Avista pursuant to this Agreement will be made available to East Greenacres for the East Greenacres Unit as described in Exhibit 1.

- 1.2. "Avista Receipt Points" means the point where Bureau energy is received on Avista's distribution system for delivery pursuant to this Agreement, which point(s) are located at the 115 kV side of Avista's Idaho Road and Post Falls Substation transformers.
- 1.3. "Commission" means the Idaho Public Utilities Commission.
2. Term and Termination. Avista shall file this Agreement, subsequent to its execution, in a timely manner with the Commission. This Agreement shall become effective on October 1, 2014, or such other date specified by the Commission, and shall terminate upon the earliest of the following events: (1) termination of the Transmission Agreement, (2) expiration of the Transmission Agreement, *provided, however*, that in the event East Greenacres continues to purchase transmission service from Avista following expiration of the Transmission Agreement, this Agreement shall remain in effect until such time as the Parties execute, and the Commission approves, a replacement Electric Distribution Service Agreement, or (3) upon termination by either Party after providing at least one year's prior written notice of termination.
3. Delivery of Electricity. Subject to the delivery of Bureau Energy to the Avista Receipt Points, Avista shall deliver Bureau energy to East Greenacres at the Delivery Points.
4. Service Characteristics and Demand Limit.
 - 4.1 Electric power delivered to the Delivery Points shall be three phase, approximately sixty (60) Hertz alternating current, at a nominal potential of 13.2 kV, and shall be delivered to the East Greenacres Unit in amounts not exceeding a demand limit of 3000 kW distributed among the two pumps that compose the East Greenacres Unit.
 - 4.2 Added Load. East Greenacres shall notify Avista in advance of the addition of any electric load that would exceed the rated capacity of any of the facilities provided by Avista to serve the East Greenacres Unit. In the event East Greenacres exceeds the nominal demand provided in Section 4.1, East Greenacres shall be liable for all loss and damage to Avista's equipment and facilities resulting from such excess usage.
5. Metering Equipment. Electric power delivered hereunder shall be measured by metering equipment installed at the Delivery Points. All metering equipment shall be installed, owned, and maintained by Avista.
6. Operation and Maintenance of the East Greenacres Unit and Delivery Facilities. The two pumping stations composing the East Greenacres Unit are served by Avista's Idaho Road and Post Falls 13.2 kV feeders. Avista shall own, operate and maintain all electrical service facilities up to the Delivery Points. East Greenacres shall bear all responsibility associated with the operation, maintenance and replacement of its service transformers and other equipment at and beyond the Delivery Points.
7. Billing and Payment.
 - 7.1 Monthly Billing. Each month during the term of this Agreement, Avista shall bill East Greenacres a monthly service fee as shown in Exhibit 3. Such bill shall be mailed to East Greenacres at the address set forth in Section 16 below.
 - 7.2 Payment. East Greenacres shall pay the amount specified in each invoice by transfer of immediately available funds within thirty (30) days of the date specified in such invoice (the "Due Date"). If East Greenacres fails to pay Avista the entire amount of any bill by the Due Date, East Greenacres shall pay interest on the unpaid balance, from the Due Date until paid in full, at a rate of 120 percent of the Prime Commercial Lending Rate,

compounded monthly, as announced by Bank of America at its Spokane & Eastern Branch office in Spokane, Washington; *provided, however*, that the interest rate shall not exceed the maximum rate allowed by applicable law. All payments to Avista shall be submitted to Avista via electronic funds transfer to the account specified in each invoice.

8. Scheduling. Scheduling for service under this Agreement shall be pursuant to then current borderline load scheduling practices between Avista and Bonneville. In the event borderline load scheduling practices between Avista and Bonneville cease to exist, East Greenacres shall schedule service under this Agreement pursuant to standard transmission scheduling practices outlined in Avista's Tariff or such other scheduling practices as may be mutually agreed upon by the Parties.
9. Losses. East Greenacres shall be responsible for all energy losses related to service under this Agreement as described in Exhibit 2. East Greenacres shall schedule loss return energy to Avista pursuant to Section 8. By mutual agreement from time to time the Parties may establish alternative arrangements to settle any loss obligation by East Greenacres. Such alternative arrangements shall be consistent with the treatment of loss return energy in the Transmission Agreement.
10. Billing by Others. Except as otherwise set forth in this Agreement, Avista shall not be responsible for East Greenacres' billing arrangements for the purchase of Bureau energy, or for the transmission thereof by others. East Greenacres shall be responsible for sales, use and other taxes associated with the acquisition and/or transmission, by others, of Bureau energy.
11. Easements and Access to East Greenacres' Property. East Greenacres hereby authorizes Avista or its agent to do all work necessary on the lands of East Greenacres to accomplish the installation, operation, and maintenance of Avista's lines and facilities to provide electric service required hereunder. East Greenacres shall grant, without cost to Avista, good and sufficient recordable easements, in a form satisfactory to Avista, that provide for Avista's facilities to be located over, on, across and/or under said lands of East Greenacres covering rights-of-way for the installation, operation and maintenance of Avista's facilities required to render service hereunder.
12. Force Majeure. As used in this Agreement, "Force Majeure" means the inability of either Party to perform its obligations as set forth herein as a result of unforeseeable causes beyond the reasonable control of and without the fault or negligence of the Party claiming Force Majeure ("Force Majeure Events"), which Force Majeure Events may include, but are not limited to, the following: acts of God, strikes, lockouts, acts of war, riots, landslides, earthquakes, fires, floods, unforeseeable or unusual weather conditions, washouts, explosions, breakage or accident to machinery or conduit, Force Majeure occurrences as defined by any approved tariffs, or any binding order, rule or regulation of any court or governmental authority, or any other occurrence beyond the reasonable control of either Party whether similar or dissimilar to any of the foregoing examples. If either Party is rendered wholly or partially unable to perform its obligations under this Agreement due to a Force Majeure Event, that Party shall be excused from whatever performance is affected by the Force Majeure Event to the extent so affected, and shall not be liable for said non-performance to either Party provided that notice of such Force Majeure Event is given to the other Party within a reasonable time. The occurrence of a Force Majeure Event effecting Avista's ability to deliver electric power to the East Greenacres Unit shall not permit East Greenacres the right to extend the term of this Agreement, nor relieve East Greenacres from its minimum charge obligations; *provided, however*, that such minimum charges shall be prorated based on the actual number of days of service provided to East Greenacres, if a Force Majeure Event affecting Avista results in Avista's inability to deliver electric power for a period in excess of twenty-four (24) hours.
13. Indemnification and Hold Harmless Protection. East Greenacres shall indemnify and save harmless Avista from any liability, loss, or expense arising from or growing out of injury to persons, including death, or damage to property, which may occur on the electric system of East Greenacres and on its

side of the specified Delivery Points unless such loss is due to the negligence of Avista. Where such claim or loss is caused by the concurrent negligence of East Greenacres, its agents or employees, and Avista, its agents or employees, East Greenacres hereby agrees to indemnify, defend and save Avista harmless from all such claims or losses to the extent that such claim or loss was caused by the negligence of East Greenacres, its agents or employees.

14. Assignment. East Greenacres shall not (by contract, operation of law or otherwise) assign this Agreement, or any right or interest in this Agreement, without Avista's prior written consent. No such assignment, with or without prior consent by Avista, shall relieve East Greenacres from its responsibilities under this Agreement, and all obligations and liabilities incurred hereunder shall be preserved until satisfied. Subject to the foregoing restriction on assignment by East Greenacres, this Agreement shall be fully binding upon, inure to the benefit of, and be enforceable by the successors, assigns and legal representatives of the respective Parties to this Agreement.
15. Amendment and Waiver. This Agreement contains all of the terms and conditions bearing upon the subject matter and shall not be changed or varied except by written agreement executed by the Parties hereto through duly authorized representatives. If at any time the terms hereto are not strictly adhered to or enforced, they shall not thereby be deemed waived or modified, but shall at all subsequent times and dates be deemed in full force and effect.
16. Notices. Unless otherwise specified, any notice required under this Agreement shall be given in writing, and shall be effective from the date received by the Party to which it is provided.

16.1 Notices to Avista shall be mailed or delivered to the attention of:

Avista Corporation
1411 East Mission Avenue
Spokane, Washington 99202-1902
or
P. O. Box 3727
Spokane, Washington 99220-3727
Attention: Manager, Transmission Services

16.2 Notices to East Greenacres shall be mailed or delivered to the attention of:

East Greenacres Irrigation District
2722 N McGuire Rd.
Post Falls, ID 83854
Attention: Manager

A Party may change the place or address for delivery of notices to it by giving notice to the other Party as thus described.

17. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Washington, without giving effect to its principles of conflicts of law.
18. Venue. Any action at law or in equity to enforce the terms and conditions of this Agreement shall be brought in Spokane County, Washington.
19. Headings. The section headings in this Agreement are for convenience only and shall not be considered part of or used in the interpretation of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives on the date(s) set forth below.

AVISTA CORPORATION

EAST GREENACRES IRRIGATION DISTRICT

By: JA Schlect

By: Ron Wilson

Jeff Schlect

Ron Wilson

Senior Manager, Transmission Services

Manager

Date: JULY 29, 2014

Date: August 06, 2014

Exhibit 1

Points of Delivery

- 1) East Greenacres Irrigation District Pumping Station #2

Location: The point at Chase Road and Hayden Avenue (Property ID # 51N05W223220) where Avista's distribution facilities and the service transformers owned by East Greenacres are connected

Feeder: IDR253

Voltage: 13.2 kV

- 2) East Greenacres Irrigation District Pumping Station #3

Location: The point at Chase Road, one quarter mile north of Poleline Road (Property ID # 51N05W287720) where Avista's distribution facilities and the service transformers owned by East Greenacres are connected

Feeder: PF213

Voltage: 13.2 kV

Exhibit 2

Loss Calculations

Feeder	Distribution Section	Distribution Line Distance (miles)	Distribution Line Loss Factor	Substation Transformer Loss Factor	Total Loss Factor
IDR253	Pump #2	2.017	2.017	1.250	3.267
PF213	Pump #3	1.760	1.760	1.250	3.010

Notes:

- Feeder distances are approximate, taken from Avista feeder mapping software
- Distribution line loss factors are calculated by multiplying the line distance in miles by a factor of 1.00%. All transformers, whether substation or service, have a specified 1.25 % loss factor.
- Service to these pumps is metered at a primary voltage. East Greenacres owns the service transformers at these locations.

Exhibit 3

Monthly Electric Distribution Service Charge

The monthly charge is Four-Thousand Two-Hundred Thirty-One Dollars and Seventy-Four Cents (\$4,231.74).

The monthly Electric Distribution Service charge is calculated based upon a load ratio share of Idaho distribution facilities costs as included in Idaho retail electric rates as of October 1, 2013 (rate test year of July 2011 – June 2012).

East Greenacres Load Ratio Share

Idaho retail 12-month average peak load (demand)	615,990 kW
East Greenacres 12-month average peak load (demand)	850 kW
East Greenacres demand ratio	0.00137799

Idaho Distribution Facilities Cost

Substation, OH poles and conductor, UG conduit and conductor	\$36,851,385
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East Greenacres Electric Distribution Service Charge

Idaho Distribution Facilities Cost	\$36,851,385
East Greenacres demand ratio	0.001378
Annual Service Charge	\$50,781
Monthly Service Charge	\$4,231.74