

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF**

FROM: DON HOWELL

DATE: JULY 21, 2003

**RE: APPLICATION FOR APPROVAL OF AN ELECTRIC CUSTOMER
EXCHANGE AGREEMENT FILED BY AVISTA UTILITIES AND
KOOTENAI ELECTRIC COOPERATIVE, CASE NO. AVU-E-03-5**

On June 5, 2003, Avista Corporation dba Avista Utilities filed an Application seeking the Commission's approval of a contract between Avista and Kootenai Electric Cooperative to allocate service territories and consumers. In Order No. 29268 the Commission issued a Notice of Modified Procedure soliciting public comments on the parties' Agreement. The only comment received was submitted by the Commission Staff recommending approval.

APPLICATION

On June 2, 2003, the parties executed an "Agreement to Exchange Electric Customers." In their Agreement, the parties propose to exchange one current customer and realign service areas for two parts of a subdivision. More specifically, the Agreement transfers one customer (Roy Armstrong) from Avista to Kootenai. In addition, the party agreed that the undeveloped part of Grayling Estates Subdivision (approximately 41 lots) be transferred from Kootenai's service territory to the Avista's service area. The agricultural property surrounding Mr. Armstrong's property is being developed into a residential subdivision to be served by Kootenai. Consequently, the parties maintain that service to Mr. Armstrong is becoming more difficult and will be costly to convert his existing Avista service to underground service (to accommodate the newer phase of the subdivision). If approved, the Agreement provides that Kootenai's service area will encompass all of Mr. Armstrong's property and eliminate the need for Avista facilities in the immediate area.

The Application asserts that it would be cost efficient for the utilities to exchange the one existing customer and the two service areas. The Agreement was endorsed by Mr. Armstrong and by Prairie Falls, the developer of Grayling Estates Subdivision.

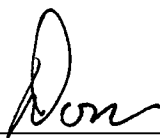
STAFF COMMENTS

Staff recommended that the Commission approve the Agreement. Staff noted that the exchange of the existing customer and territories appear to be a least-cost exchange between the suppliers. Staff Comments at 2. The exchange of the Armstrong account requires the parties to seek an “exception” to the anti-pirating provisions of *Idaho Code* § 61-332B. Staff supports the exception request and notes that the exchange of the customer and service territories also avoids duplication of facilities and stabilizes the territories of the two suppliers.

Staff also noted that the final phase of the Grayling Estates Subdivision (41 lots) is closest to Avista’s existing service territory. Staff stated that the service territory exchange appears reasonable because Kootenai’s line extension facilities to serve the final phase of the Grayling Estates would require Kootenai to perform an expensive and time-consuming boring project under an adjacent railroad right-of-way to put in the necessary feeder line. Consequently, Staff recommended that the Commission grant an exception to switch Mr. Armstrong’s service pursuant to *Idaho Code* § 61-334B(1) and find that the service territory swap meets the purposes and provisions of the ESSA codified at *Idaho Code* § 61-332(2). *See Idaho Code* § 61-333(1).

COMMISSION DECISION

Does the Commission find that it is reasonable to grant an exception from the ESSA’s anti-pirating provision? Does the Commission find that the exchange of service territories consistent with the provisions and purposes of the ESSA?



Don Howell

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