



Avista Corp.

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Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

Public Utility Commission of Oregon
201 High St SE
Suite 100
Salem, OR 97301

Attention: Filing Center

RE: Application of Avista Corporation

Enclosed for filing with the Commission are the original and one copy of the Company's "Application of Avista Corporation to enter into a Multi Tenant Lease Agreement with Steam Plant Square, LLC, an Affiliated Interest." Included within this filing are exhibits that we are asking to be treated confidentially under the Public Records Law in accordance with ORS 192.501 and 192.502. This document is stamped CONFIDENTIAL.

An electronic copy of this application has also been filed pursuant to OAR 860-011-0012.

Please direct any questions regarding this filing to Liz Andrews at (509) 495-8601.

Sincerely,

A handwritten signature in black ink that reads "Kelly O. Norwood". The signature is written in a cursive, flowing style.

Kelly O. Norwood
Vice President, State and Federal Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

IN THE MATTER OF THE APPLICATION)	
OF AVISTA CORPORATION, DBA)	DOCKET _____
AVISTA UTILITIES, TO ENTER INTO)	
PROPERTY LEASE WITH STEAM)	
PLANT SQUARE, LLC, AN)	
AFFILIATED INTEREST)	APPLICATION OF AVISTA CORP.

1 Pursuant to ORS 757.495 and OAR 860-027-0040, Avista Corporation, doing business as
2 Avista Utilities, (hereinafter Avista, Company or Applicant) respectfully requests the Public
3 Utility Commission of Oregon (PUC) to provide authorization for the Property Lease and
4 Conditional Use Agreement by and between Avista and Steam Plant Square, LLC, an affiliate of
5 Avista pursuant to ORS 757.015.

6 **I. Background**

7 In 2007, the Company initiated a multi-year HVAC general office building renovation
8 project that involved replacing central air handling units and distribution systems in the
9 general office building and the cafeteria auditorium building. The heating, ventilating,
10 and air conditioning systems were approximately fifty years old and were in need of
11 replacement. The project also provided asbestos abatement and life safety (fire sprinkler)
12 benefits and new controls have provided energy conservation benefits. In order to
13 complete this renovation, workers were shifted to other floors. In addition, the Company
14 entered into a lease (for suites 210, 211 and 221) at a different location owned by Steam
15 Plant Square, LLC, which is an Affiliated Interest of Avista pursuant to ORS 757.015.

1 This transaction was initially approved by the PUC in Docket UI-305. This project was
2 completed in 2015.

3 Similar to this project, albeit at a smaller scale, the Company is now in the process of
4 renovating the Company's service building, including the Spokane Construction Office,
5 in the same manner as the general office building as part of the Long Term Campus
6 Restructuring Plan. This project includes heating, ventilating, and air conditioning
7 improvements (HVAC) among other things (heretofore referred to as the 2017 HVAC
8 Project or Project). Best efforts continue to be made to relocate affected employees to
9 existing areas of Avista's campus, however, some employees will need to temporarily be
10 relocated off-site in order to fully complete this renovation. This Project is anticipated to
11 last through the first quarter 2017. To house these dislocated workers, the Company has
12 entered into what amounts to be a contract extension of the original lease, but on a
13 month-to-month (for Suite 211 only) with Steam Plant Square, LLC, which is an
14 Affiliated Interest pursuant to ORS 757.015. With this application, Avista Corp. requests
15 Commission approval of the affiliated interest Multi-Tenant Lease Agreement described
16 below. The Multi-Tenant Lease Agreement is attached hereto as Confidential Attachment
17 A.

18 **II. Compliance with OAR 860-027-0040 Filing Requirements**

19 **(a) The applicant's exact name and the address of its principal business office:**

1 Avista Corporation
2 1411 E. Mission
3 PO Box 3727
4 Spokane, Washington 99202-2600
5

6 **(b) The name and address of the person authorized, on the utility's behalf, to receive**
7 **notices, inquiries, and communications regarding the information:**

David J. Meyer, Esq. Chief Counsel for Regulatory and Governmental Affairs Avista Corporation P.O. Box 3727 1411 East Mission Avenue, MSC-13 Spokane, Washington 99220-3727 Phone: (509) 495-4316 Fax: (509) 495-8851	Kelly Norwood Vice President, State and Federal Regulation Avista Corporation P.O. Box 3727 1411 East Mission Avenue, MSC-13 Spokane, Washington 99220-3727 Phone: (509) 495-4267 Fax: (509) 495-8851
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8 **(c) A statement describing the relationship between the utility and the contracting entity**
9 **as defined by ORS 757.015, ORS 757.490, ORS 759.010, or ORS 759.385:**

10 Avista Development, Inc. is a wholly-owned subsidiary of Avista Corp. and was
11 established to manage real estate investments including:

- 12 • **Steam Plant Square, LLC**, (85% ownership) which manages and operates the
13 Steam Plant Square in Spokane, Washington.
- 14 • **Court Yard Office Center, LP** (100% ownership), which owns and operates
15 commercial office space rentals.

16 Steam Plant Square, LLC is an "affiliated interest" of the Company as set forth in
17 ORS 757.015(3).

18 **(d) The amount, kind, and ratio to total voting securities held, if applicable:**

1 Avista Corp. and Steam Plant Square, LLC do not own voting securities in each other.

2 **(e) A list of all officers and directors of the affiliated interest who are also officers or**
3 **directors of the applicant:**

4 Steam Plant Square, is a limited liability company and does not have officers and
5 directors, but instead has members and managers. Roger Woodworth, President of Avista
6 Development,¹ is the current manager of Steam Plant Square, LLC. He is also an officer
7 of Avista.

8 **(f) The pecuniary interest, directly or indirectly, of any officer or director who is a party**
9 **to the contract:**

10 There are no pecuniary interests, directly or indirectly, of any officer or director who is a
11 party to the contract.

12 **(g) A description of the goods or services to be provided, the cost incurred in providing**
13 **each of the goods or services, the market value of the goods or services if different**
14 **from the costs, and the method or methods proposed for pricing those goods or**
15 **services:**

16 The Multi-Tenant Lease Agreement, between Avista and the Steam Plant Square, LLC,
17 executed on January 1, 2016, was commenced to lease a premise, located at 159 S.
18 Lincoln, Spokane, WA, 99201, otherwise known as Steam Plant Square. The terms of
19 the Multi-Tenant Lease agreement, have been included in confidential Attachment A.

20 There will be no costs incurred by Steam Plant Square, LLC, for leasing the building.

¹ Avista Capital, Inc. is a wholly owned subsidiary of Avista Corporation. Avista Development is a subsidiary of Avista Capital (100% ownership – no employees, passive income) and was established to manage real estate

1 There is no difference between the market value and the cost of the lease. The pricing of
2 the lease is in line with the current market value for similar properties in the same general
3 location. For these reasons, this Agreement is reasonable and consistent with public
4 interest.

5 **(h) An estimate of the amount the utility will pay annually for the goods or services and**
6 **the accounts in which it will record the charges:**

7 Given that this agreement with Steam Plant Square is essentially a contract extension, no
8 additional capital costs for tenant improvements, information systems and information
9 technology (IS-IT), and furniture were incurred for set up. Rent will be charged in the
10 amount of \$24,000 per year (system), Oregon's allocated portion is \$1,687 per year.
11 These amounts will be charged to FERC Account 107000, Construction Work in
12 Progress (CWIP) until completion of the current HVAC Project at Avista and termination
13 of the lease.

14 **(i) The reasons, in detail, relied upon by the utility for procuring the proposed goods or**
15 **services from the affiliate and benefits, if any; utility customers and the general**
16 **public will derive from the provision of goods or services:**

17 Avista Corp. has entered into a month-to-month Multi-Tenant Lease Agreement in order
18 to house employees that have been displaced due to the renovation of the Company's
19 service building. This 2017 HVAC Project is anticipated to be completed by the first
20 quarter 2017.

investments which includes Steam Plant Square, LLC (85% ownership).

1 **(j) A description of the procurement process and the reasons, in pertinent detail**
2 **appropriate to the complexity of the procurement, relied upon by the utility for**
3 **procuring the proposed goods or services without a competitive procurement**
4 **process, if such a process is not used:**

5 When Avista identified the need for additional square footage associated with the 2007
6 HVAC project, the Company conducted an evaluation process which considered two
7 options; the first option of purchasing or leasing a modular building to be placed on the
8 Avista campus, and a second option of leasing commercial space at an off campus
9 location. The Company carefully evaluated both options, considering cost and
10 functionality. The evaluation of these options resulted in leasing the Steam Plant Square
11 commercial space.

12 The evaluation of the modular building revealed that leasing a modular building would
13 not provide necessary conference rooms or restroom facilities, and would take many
14 needed existing parking spaces permanently out of commission.

15 The Company's evaluation of leasing commercial space began with contacting local
16 realtors, which are active participants in the Building Owners and Managers Association
17 of Spokane (BOMA). These realtors were able to identify commercial spaces that were
18 available, however, after review there were two commercial properties that the Company
19 specifically evaluated, Riverwalk and the Steam Plant Square spaces. The Steam Plant
20 Square space was more cost effective than the Riverwalk space and it proved more
21 functional as the Company had an existing IS-IT infrastructure there that would reduce

1 IS-IT costs. For these reasons, the Company determined that the most cost effective and
2 functional commercial property would be the Steam Plant Square space.

3 This lease is essentially an extension of the prior lease, with a reduction from three spaces
4 to one space. The selection of Steam Plant for this lease was based on the analysis
5 previously performed for the general office building, taking into consideration the
6 considerable cost-savings for set-up of the space for IS/IT conversion, cube remodel or
7 other set-up requirement given the space was already set up for Company personnel.

8 **(k) Transfer prices in contracts or agreements for the procurement of goods or services**
9 **under competitive procurement shall be presumed to be the market value, subject to**
10 **evaluation of the procurement process:**

11 The transfer price in the Multi-Tenant Lease Agreement is consistent with market value
12 and other similar commercial real estate properties in the Spokane area.

13 **(l) A copy of the proposed contract or agreement between the utility and the contracting**
14 **entity:**

15 The Multi-Tenant Lease Agreement by and between Avista and Steam Plant Square, LLC
16 is included in Confidential Attachment A.

17 **(m) Copies of all resolutions of directors authorizing the proposed transactions and, if**
18 **stockholders' approval has been obtained, copies of the resolutions approved by the**
19 **stockholders:**

20 Authorization of the Multi-Tenant Lease Agreement between Avista Utilities and Steam
21 Plant Square, LLC, did not require approval by the Companies' Board of Directors.

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CONFIDENTIALITY REQUEST


In accordance with ORS 192.501 and 192.502, Avista Corporation requests confidential treatment of the Details of Transaction provided in Attachment A. This attachment is marked "Confidential."

WHEREFORE, Avista Corp. respectfully requests the Public Utility Commission of Oregon to issue an order authorizing approval of the Property Lease and Conditional Use Agreement by and between Avista and Steam Plant Square, LLC, as described in this application, pursuant to the provisions of ORS 757.495 and OAR 860-027-0040.

Dated at Spokane, Washington this 28th day of April 2016.

Respectfully submitted,

AVISTA CORPORATION



Kelly O. Norwood
Vice President, State and Federal Regulation