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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE AGREEMENT FOR) | |
| PURCHASE AND SALE OF THE CHENEY AND) | CASE NO. AVU-E-18-09 |
| FOUR LAKES TAP LINES AND THE) | |
| TRANSFER OF OWNERSHIP AGREEMENT) | COMMENTS OF THE |
| BETWEEN AVISTA AND BONNEVILLE) | COMMISSION STAFF |
| POWER ADMINISTRATION) | |
| _____) | |

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Edward Jewell, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure, and Notice of Telephonic Hearing issued in Order No. 34172 on October 16, 2018, in Case No. AVU-E-18-09, submits the following comments.

BACKGROUND

On August 29, 2018, Avista Corporation (“Avista”) filed an Application requesting approval of an “Agreement for the Purchase and Sale of the Cheney and Four Lakes Tap Lines” and a “Transfer of Ownership Agreement” (collectively “Agreements”) between Avista and Bonneville Power Administration (“BPA”). Avista requests Commission approval of the Agreements pursuant to *Idaho Code* § 61-328.

If approved, the Agreements would transfer about 15 miles of 115 kV BPA tap lines and easements to Avista in exchange for Avista transferring a 230 kV power breaker to BPA. Avista explains that these BPA tap lines are transmission assets in Avista's Balancing Authority Area that are physically and electrically separate from BPA's main transmission network and surrounded by Avista's transmission system. Avista's power breaker, on the other hand, is in a BPA substation.

Avista states that the equipment to be transferred under the Agreements has posed administrative, maintenance, and North American Electric Reliability Corporation compliance challenges for both entities. Avista explains that no money would change hands under the Agreements, and that they are merely intended to simplify administrative, operational, and maintenance responsibilities for both BPA and Avista.

STAFF REVIEW

Staff reviewed Avista's Application requesting Commission approval of the asset transfer between Avista and BPA. Staff believes the asset transfer is consistent with the requirements of *Idaho Code* § 61-328. This code requires the following criteria be met:

1. The transaction is consistent with the public interest;
2. The cost of and rates for supplying service will not be increased by reason of such transaction; and
3. The Applicant for such acquisition or transfer has the bona fide intent and financial ability to operate and maintain said property in the public service.

First, Staff believes the transfer of assets between the two Companies is consistent with the public interest because the cost to operate and maintain BPA's transmission assets will likely be less than the cost to operate and maintain Avista's power breaker. The Avista-owned power breaker is located within BPA's Hatwai switchyard while BPA's transmission assets are contained entirely within Avista's balancing area and are interconnected to other Avista-owned assets. Swapping ownership will locate each utility's assets closer to other assets they are currently required to maintain and operate, resulting in a more efficient use of resources and less cost for both utilities. In addition, the acquisition of additional transmission and rights of way can provide Avista with additional transmission routing options that could enhance reliability to meet future growth in loads.

Second, Staff agrees with Avista that there should be no increase to customer rates as a result of these transactions. Any actual reduced operation and maintenance expense will be reflected in the operating expenses in Avista's next general rate case. The two utilities have agreed to a non-monetary exchange for the value of the assets, which results in no change in rate base or depreciation expense.

The net book value of the assets Avista will receive from BPA is \$460,900. The net book value of the assets Avista will transfer to BPA is \$747,219.93. The difference in book value between the transferred assets and acquired assets is \$286,319.93. Avista will account for this amount as a purchased acquisition adjustment, which will be used to create a regulatory asset. Combining this regulatory asset with the net book value of the assets received from BPA totals \$747,219.93. This regulatory asset will be amortized over the remaining life of the exchanged assets using a composite depreciation rate applicable to the assets being transferred to BPA. Rate base and depreciation/amortization expense will not change as a result of the transactions, thus there will be no increase in costs or retail rates due to this transaction.


Finally, Staff recognizes that both entities, given their financial capabilities and operational history, reflect a bona fide intent and financial capability to operate and maintain the assets in public service.

In its Application, Avista provided a narrative description that the transactions are in the public interest and comply with *Idaho Code* § 61-328. In Production Request No. 3, Staff requested that Avista provide an analysis showing how the asset transfers fulfill the requirements under *Idaho Code* § 61-328. Staff believes that the information provided was sufficient to determine the reasonableness of the transaction in this case, due to the small scope of the transfer and relatively small dollars involved. However, Staff recommends that in future filings Avista provide with its Application a cost/benefit analysis as an aid to illustrate that customer rates will not increase as a result of the proposed transactions.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the Application for the asset ownership transfers between Avista and BPA identified within the Agreements. Staff also recommends that the Commission approve the establishment of the regulatory asset to be amortized over the current remaining life of the assets.

Respectfully submitted this ^{14th} day of November 2018.



Edward Jewell
Deputy Attorney General

Technical Staff: Richard Keller
Johan Kalala-Kasanda
Kevin Keyt

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14TH DAY OF NOVEMBER 2018, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-18-09, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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