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IDAHO PUBLIC
UTILITIES COMMISSION

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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION FOR)	
APPROVAL OF THE ASSET PURCHASE)	CASE NO. PAC-E-18-11
AGREEMENT BETWEEN ROCKY MOUNTAIN)	
POWER AND THE CITY OF IDAHO FALLS –)	COMMENTS OF THE
YELLOWSTONE HIGHWAY)	COMMISSION STAFF
)	
)	

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Edward Jewell, Deputy Attorney General, submits the following comments.

BACKGROUND

On November 8, 2018, Rocky Mountain Power (“Company”) filed an Application requesting approval of the Asset Purchase Agreement entered into by the Company and the City of Idaho Falls (“City”) to supply electric service to locations near Yellowstone Highway in Idaho Falls. On December 4, 2018, the Commission issued Order No. 34199, Notice of Application, Notice of Modified Procedure, and Notice of Telephonic Hearing.

The Company submits its Application for approval under the Idaho Electric Supplier Stabilization Act (ESSA), *Idaho Code* §§ 61-332 through 61-334C, and the electric utility asset transfer statute, *Idaho Code* § 61-328. With its Application, the Company asked the Commission to approve the Company’s Asset Purchase Agreement with the City of Idaho Falls (“Agreement”).

The Company filed its Application pursuant to the Service Allocation Agreement authorized by the Commission in Order No. 33943. The Company and the City have agreed to transfer future electric service of eight customers from the Company to the City. The City has agreed to pay the Company the value of the assets plus 167% of the transferred customers' previous 12 months electric bills. The total sale price is \$31,934.

STAFF ANALYSIS

Staff analyzed the asset sale and determined that it conforms to the provisions of the ESSA and prior Commission orders. Staff determined that funds from the sale are sufficient to offset the undepreciated rate base of assets being transferred to the City and that the Company's accounting treatment assures that the value of these assets are removed completely from rate base.

Sales Price and Accounting Treatment

The sales price of \$31,934, as calculated in Table 1 below, includes the value of existing assets, an income tax gross up, lost customer revenue, separation costs, and legal/transaction costs. These costs, and the method used to calculate them, are consistent with the methodology prescribed in the 2017 Service Allocation Agreement and approved in Commission Order No. 33943. Staff believes that the Company's accounting treatment of funds derived from the sale will assure that other ratepayers are not harmed.

Table 1: Calculation of Sales Price

Sale Component	Sales Price
Sale of existing assets	\$ 8,848
Lost customer revenue	\$17,335
Tax gross up	\$ 2,865
Separation costs	\$ 1,387
Legal/transaction costs	\$ 1,500
Total sales price	\$31,934

The existing asset price was calculated using the replacement value of each asset less depreciation. Replacement value was determined using the Company's Retail Construction Management System, and depreciation was determined using a straight-line methodology consistent with prior Commission orders. Lost customer revenue was calculated using 167 percent of revenues from the 12 most recent months of service for each customer in the affected area.

The income tax gross up corrects for the difference in straight-line depreciation used by the Commission to determine asset value and accelerated depreciation used for income tax purposes. The separation costs are expenses incurred to physically separate the assets being sold from the Company's distribution system, and the legal/transaction costs include the costs of estimation, accounting, finance, regulation, and legal expenses related to the sale.

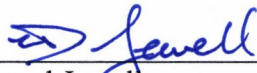
Customer Notification

The Company explained that the customers will be notified by either outbound call campaign from their call center or a hand delivered door notice for those that do not respond to the call campaign. The Company further explained that Idaho Falls Power will also send written correspondence regarding the transfer of services. One public comment in support of the transfer was submitted on December 10, 2018.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the Asset Purchase Agreement provided as an attachment to the Company's Application.

Respectfully submitted this 17th day of January 2019.



Edward Jewell
Deputy Attorney General

Technical Staff: Kevin Keyt
Michael Eldred
Travis Culbertson

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 17TH DAY OF JANUARY 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-18-11, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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