

DAYN HARDIE
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0312
IDAHO BAR NO. 9917

RECEIVED
2019 JUN 18 PM 4:35
IDAHO PUBLIC
UTILITIES COMMISSION

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5918

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
FOR APPROVAL OF THE PROFESSIONAL)	CASE NO. PAC-E-19-06
WAY-BROADWAY ASSET PURCHASE)	
AGREEMENT AND TRANSFER OF)	
SERVICE BETWEEN ROCKY MOUNTAIN)	COMMENTS OF THE
POWER AND THE CITY OF IDAHO FALLS.)	COMMISSION STAFF
)	
)	

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

BACKGROUND

On May 10, 2019, Rocky Mountain Power (“Company”) filed an Application requesting approval of the Asset Purchase Agreement (“Agreement”) entered into by the Company and the City of Idaho Falls (“City”).¹ The Application requests authority to transfer from the Company to the City the rights and obligations to serve five (5) customers at Professional Way and one (1) customer at Broadway.

The Company filed 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.

¹ A copy of the Agreement is attached to the Application.

The subject Agreement was entered into pursuant to the 2017 Service Allocation Agreement authorized by the Commission in Order No. 33943. In this transaction, the Company and the City have agreed to transfer future electric service of six (6) customers, at two (2) locations, from the Company to the City. The City has agreed to pay the Company 167% of the six (6) transferred customers' previous 12 months electric bills, plus the value of the transferred assets, tax gross-up, separation costs, and legal/transactional costs. The total sale price in the contemplated transaction is \$31,751.

STAFF ANALYSIS

Staff has reviewed the proposed transaction and believes that it supports the intent of the ESSA, the electric utility asset transfer statute, and is consistent with prior Commission Orders.

In response to Staff's Production Request, the Company provided explanations detailing how this particular transaction would comply with *Idaho Code* § 61-328 (3) by: (a) promoting the public interest and harmony between electric suppliers consistent with *Idaho Code* § 61-332(2), (b) fairly compensating the Company for its transferred assets and investment without financial impact to existing customers, and (c) ensuring that the transferred customers will continue to receive electric service from the City. The proposed transaction meets the statutory requirements and complies with the Commission's previous Order.

The Professional Way property is located in the developed Sunnyside Industrial and Professional Park. The metered accounts are all located on a single lot of the development. The Professional Way property is surrounded on three (3) sides by other developed properties still served by the Company. The fourth side abuts a railroad track and a highway; this is likely the direction from which the City service would be provided. This means that the Professional Way property is the only property in the immediate area served by the City, which could potentially have negative impacts on overall resource allocation and efficiency.

The Broadway meter is positioned in a vacant lot and is currently inactive. The last 12 months of billing activity for this location occurred almost three (3) years ago, between August 2016 and July 2017. Staff verified that the revenue calculation using billing history provided by

the Company complies with the 2017 Service Allocation Agreement.²

Sales Price and Accounting Treatment

The total sales price of the assets being sold is \$31,751, see Table 1 below. Staff verified that the sales price contemplated in the Agreement includes the fair market value of the existing assets, the separation costs, the lost customer revenue, and the legal/transactional costs. The method used to generate the values are consistent with the methodology incorporated in the 2017 Service Allocation Agreement. Staff believes that the Company's accounting treatment of the proceeds received from the sale of these assets assure no customers will be harmed from this transaction.

Table 1: Calculation of asset sale for Professional Way and Broadway

Sale Components	Professional Way	Broadway	Totals
Asset Valuation	\$16,435	\$266	\$16,701
Separation Costs	\$2,122	\$767	\$2,889
Lost Customers Revenue	\$9,164	\$329	\$9,493
Legal/Transactional Costs	\$2,500	\$168	\$2,668
Total Sale Price	\$30,221	\$1,530	\$31,751

The price of the existing assets was calculated by using the replacement value of each asset being sold minus depreciation. This was determined using straight-line depreciation methodology, consistent with prior Commission Orders. The replacement value was determined using the Company's Retail Construction Management System. Lost customer revenue was calculated using the 2017 Service Allocation Agreement, as discussed previously.

The Separation costs are expenses which have been incurred during the physical separation of the assets being sold from the Company's distribution system. Legal/transactional costs include the costs of estimation, accounting, finance, regulation, and legal expenses related

² Service Allocation Agreement – Definition 6 Compensation - "In addition, the Acquiring Utility will pay the other utility an amount equal to one hundred sixty seven percent (167%) of the Existing Consumer's revenue collected from the most recent twelve (12) months of active provision of electric service, which must be within the past five (5) years immediately preceding the time of transfer."

to the sale. The Company has issued the pricing guideline used for the determination of the legal/transaction costs, see Table 2 below.

Table 2: Legal/Transaction Price Guideline

Legal Expense Price Guidelines	Amount
Asset sale less than or equal to \$2,000	75% of the sale price
Asset sale greater than \$2,000 but less than \$10,000	\$1,500
Asset sale equal to or greater than \$10,000	\$2,500

CUSTOMER NOTICE, PRESS RELEASE AND PUBLIC COMMENTS

The Company stated that customers requested the transfer for the Professional Way facilities, so a customer notice was not necessary at that location. Additionally, since there is no customer at the Broadway location, notification was not deemed necessary.

A public telephonic customer hearing was held on June 11, 2019 at 2:00 PM MST. No members of the public participated in person or telephonically. As of June 17, 2019 no written public comments have been submitted for this case.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the Asset Purchase Agreement and authorize the transfer of electric service for the customers located at Professional Way and at Broadway between Rocky Mountain Power and the City of Idaho Falls.

Respectfully submitted this 18th day of June 2019.



Dayn Hardie
Deputy Attorney General

Technical Staff: Johan Kalala-Kasanda
Kevin Keyt
Rick Keller

i:umisc/comments/pace19.6jkkkrk comments


CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 18th DAY OF JUNE 2019,
SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN
CASE NO. PAC-E-19-06, BY MAILING A COPY THEREOF, POSTAGE PREPAID,
TO THE FOLLOWING:

TED WESTON
DANIEL E SOLANDER
ROCKY MOUNTAIN POWER
1407 WEST NORTH TEMPLE STE 330
SALT LAKE CITY UT 84116
E-MAIL: ted.weston@pacificorp.com
Daniel.solander@pacificorp.com

DATA REQUEST RESPONSE CENTER
E-MAIL ONLY:
datarequest@pacificorp.com

IDAHO FALLS CITY POWER
BEAR PRAIRIE
140 S CAPITAL AVE
BOX 50220
IDAHO FALLS ID 83405



SECRETARY