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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 SUNNYSIDE ASSET)	CASE NO. PAC-E-19-09
TRANSFER AGREEMENT BETWEEN ROCKY)	
MOUNTAIN POWER AND THE CITY OF)	
IDAHO FALLS)	COMMENTS OF THE
_____)	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 June 24, 2019, PacifiCorp dba Rocky Mountain Power (“Company”) filed an Application requesting the Commission’s approval of the Asset Purchase Agreement (“Agreement”) entered into by the Company and the City of Idaho Falls (“City”). The Application requests authority to transfer from the Company to the City the rights and obligations to serve one (1) customer on Sunnyside Road in Idaho Falls, Idaho.

The Company filed its Application for approval under the Idaho Electric Supplier Stabilization Act, *Idaho Code* §§ 61-332 through 61-334C, and the electric utility asset transfer statute, *Idaho Code* § 61-328. The Company requested that its Application be processed under Modified Procedure, Rule 201 *et seq.* See IDAPA 31.01.01.201 through .204.

The subject agreement was entered into pursuant to the 2017 Service Allocation Agreement authorized by the Commission in Order No. 33943. In the transaction, the Company and the City have agreed to transfer future electric service of one (1) customer from the Company to the City. The City has agreed to pay the Company 167% of the transferred customer's most recent 12-months electric bills, plus the book value of the transferred assets, tax gross-up, separation costs, and legal/transactional costs. The total sale price in the contemplated transaction is \$9,440.

STAFF ANALYSIS

Staff has reviewed the proposed transaction and believes 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 Sunnyside Road location is a residential property with a single meter. In response to Staff's Production Request, the Company explained that the Sunnyside Road property is the last location in the immediate area served by the Company. This means that other properties near the Sunnyside Road property are being served by the City of Idaho Falls.

The last 12-months of billing activity at the Sunnyside Road meter totaled \$2,285.20. The lost revenue calculation determined by the Company is \$3,816.28. Staff verified that the transfer revenue calculation using this billing activity complies with the Service Allocation Agreement between the Company and the City of Idaho Falls.¹

¹ 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."

Sales Price and Accounting Treatment

The total sale price of the assets being sold is \$9,440, see Table 1 below. Staff verified that the sale price contemplated in the Agreement includes the fair market value of the existing assets, the separation costs, the lost customer revenue and the legal/transaction 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 702 E. Sunnyside Road

Sale Components	Totals
Asset Valuation	\$3,762
Separation Costs	\$362
Lost Customer Revenue	\$3,816
Legal /Transaction Costs	\$1,500
Total Sale Price	\$9,440

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 methodology, consistent with prior Commission Orders. The replacement value was determined using the Company's Retail Construction Management System. The lost customer revenue was calculated using the 2017 Service Allocation Agreement, as discussed previously.

The Separation costs are expenses which will be, or have been, incurred during the physical separation of the assets being sold from the Company's distribution system. Legal/transaction costs include the costs of estimation, accounting, finance, regulation, and legal expenses related to the sale. The Company has issued the pricing guideline used for the determination of the legal/transaction costs. This is illustrated in Table 2 below.

Table 1: Legal/Transaction Price Guideline

Legal Expense Price Guidelines	Amount
Asset sale equal to or less than \$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 the customer requested the transfer, so notification was not necessary.

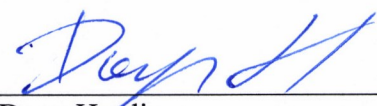
A public telephonic customer hearing was held on July 30, 2019, at 2:00 PM MST.

As of July 30, 2019, no written public comments have been submitted for this case.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the Asset Purchase Agreement between Rocky Mountain Power and the City of Idaho Falls, authorizing the transfer of electric service for the customer on Sunnyside Road.

Respectfully submitted this  day of August 2019.



Dayn Hardie
Deputy Attorney General

Technical Staff: Kevin Keyt
Johan Kalala-Kasanda
Rick Keller

i:umisc:comments/pace19.9dhkskrkjk comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 1ST DAY OF AUGUST 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-19-09, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE