

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) CASE NO. IPC-E-20-10
COMPANY’S APPLICATION FOR AN)
ORDER APPROVING THE TRANSFER)
AND SALE OF CERTAIN ASSETS TO THE) ORDER NO. 34687
CITY OF NAMPA, IDAHO)
)

On March 3, 2020, Idaho Power Company (“Idaho Power” or “Company”) applied for Commission approval of a proposed sale and transfer of assets (“Assets”) to the City of Nampa, Idaho (“City”) under Idaho Power's Rule M, and *Idaho Code* §§ 61-328 and 61-524.¹ The Company asked the Commission to process the case by modified procedure.

On March 26, 2020, the Commission issued its Notice of Application and Notice of Modified Procedure. Order 34607. The Commission Staff (“Staff”) filed the only comments and recommended the Commission approve the Application. The Company did not reply.

Having reviewed the record, the Commission enters this Order approving the Company’s Application.

APPLICATION

The Company provides electric service to the City’s wastewater treatment plant in Canyon County, Idaho using the Assets, under its Schedule 19, Large Power Service. *Application* at 1-2. The Company and the City agreed the City will purchase the Assets and “obtain title to and assume ownership, operation, maintenance, and all liabilities associated with the Assets.” *Id.* The Company represented the sale price for the Assets of \$821,253 was set through the methodology in Rule M, Section 3. *Id.* at 5-6. The Company asserted the methodology ensures the transaction won’t negatively impact its other customers. *Id.* at 6. The Company asserted the methodology used to set the sale price has five components: (1) net book value (\$401,075); (2) true-up of past levelized rate of return (\$118,537); (3) near-term rate of return impact resulting from the sale (\$74,347); (4) near-term operational impact resulting from the sale of Assets (\$106,132); and (5) net tax gross-up (\$93,435). *Id.* at 6-8. In addition, the Company would collect

¹ Rule M governs the sale of Company assets located on the customer’s side of the “point of delivery (“POD”)” at which the Company measures the customer’s power-usage. *See* Order No. 33470 at 1. Rule M can be found at: <https://puc.idaho.gov/Fileroom/PublicFiles/ELEC/IPC/General/Otariff/Idaho%20Power%20Company.pdf>. *Idaho Code* § 61-328 governs the sale of an electric utility’s generation, transmission, and generation assets. *Idaho Code* § 61-524 governs the system of accounts kept by public utilities.

\$640 in estimated work order closing costs, \$900 in engineering costs, \$9,321 for costs associated with POD relocation, and \$16,866 for costs associated with the removal of a sectionalizer located at the wastewater treatment facility. The Company asserted its accounting treatment for this transaction will be in accordance with generally accepted accounting principles. *Id.* at 9-11.

STAFF COMMENTS

Staff reviewed the Application and believed it complies with *Idaho Code* § 61-328 and Company Rule M. Staff also reviewed the methodology for calculating the sales price and the separate calculations for the relocation facilities or “Shifting Facilities” and the removal of the sectionalizer. Staff believed they are appropriate and protect other customers of the Company under *Idaho Code* § 61-328. *Staff Comments* at 2.

Staff asserted the Company’s proposed sale complies with Company Rule M and *Idaho Code* § 61-328.

Staff noted the Company's Application represents that: 1) there will be no mixed ownership of the facilities; 2) the Agreement requires the City to provide operation and maintenance of all facilities beyond the POD after the sale is complete; and 3) the City will prepay engineering costs. *Id.* Staff also concurred with the Company’s representation that the sale will not affect the deliverability and reliability of electric service to other customers because the Assets are located beyond the City’s POD. *Id.* at 3-4. Staff stated its belief that the City has the bona fide intent and financial ability to operate and maintain the Assets in the public service. *Id.* at 4.

The remaining requirement under *Idaho Code* § 61-328 mandates that the transaction must not increase the cost and rates for supplying service. *Id.* The Company represented the sales price methodology ensures that the transaction will not negatively impact the Company or its other customers. *Id.* Staff noted the Company applied a similar five component methodology in Case Nos. IPC-E-15-26, IPC-E-16-31, IPC-E-17-17, and IPC-E-18-10. *Id.*

The Company's treatment of each component relies on an approach used to compute the Rule M monthly facilities charge rate, which was established in the Company's last general rate case and approved in Commission Order Nos. 32426 and 32481. *Id.* Staff noted this approach allows the Company to recover its authorized rate of return, book depreciation, operation and maintenance expenses, administrative and general expenses, income taxes, property taxes, regulatory fees, working capital, and insurance with a flat monthly facilities charge equal to 1.41% of the original cost of Company-owned equipment installed. *Id.* The approach establishes a fixed

31-year depreciation life for all Schedule 19 assets subject to the monthly facilities charge.² *Id.* at 4-5.

Staff agreed that the Company's treatment of net book value, true-up of the levelized rate of return, loss of near-term return, and net tax gross-up (based on an adjusted sales price) are appropriate, protect ratepayers and will not cause a rate increase as required by *Idaho Code* § 61-328. *Id.* Thus, Staff believed the proposed transaction satisfies *Idaho Code* § 61-328 and Company Rule M. *Id.*

Staff noted the Company has asked for additional consideration to cover the costs of the City's request that the Company relocate the POD and Shifting Facilities. *Id.* The equipment to be relocated will still be owned, operated, and maintained by the Company, and the Shifting Facilities have been separated from the Assets being sold. *Id.* Staff has reviewed the relocation expenses and believes they are appropriately included in the total sales price. *Id.*

Finally, Staff reviewed the Company's proposed accounting treatment. Staff noted the Company's proposed accounting treatment will remove the Assets from the Company's books, record the gain on the sale of the Assets, and record the impact on the Company's income taxes. *Id.* Although income tax entries may change, Staff generally agreed with the Company's proposed accounting treatment. *Id.*

Based on the foregoing, Staff recommended the Commission approve the Company's Application. *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under Title 61 of the Idaho Code, specifically *Idaho Code* §§ 61-502 and 61-503 (Commission has power to investigate a public utility's contract).

The Commission has reviewed the Company's Application and Agreement with the City, and Staff comments. Based on that review, the Commission finds the sale satisfies Rule M and *Idaho Code* § 61-328. The sale will not result in mixed ownership of facilities, the City will own, operate, and maintain all facilities beyond the POD after the sale is complete, and the City will pay requisite engineering costs. The Commission also finds that the City has the bona fide intent and financial ability to operate and maintain the Assets in the public service. Further, the

² After 31 years, the monthly facilities charge rate decreases to 0.59% because the Company is not authorized to recover depreciation or a rate of return on fully depreciated capital assets. *Id.* at 5.

Commission finds the sale is consistent with the public interest and will not increase costs and rates to supply service.

The Commission is satisfied the Company appropriately determined the Assets' net book value. Further, because of the levelized payment schedule, customers underpay for the first 10 years of an asset's life but overpay the remaining period. Thus, the true-up component appropriately accounts for decreasing net book value while allowing the Company to fully recover its revenue requirement over the asset's depreciable life. Further, it is appropriate to include the revenue loss component by way of the near-term rate of return impact, as well as the net tax gross-up, to account for the mismatch between the straight-line depreciation method used to determine book value, and the accelerated depreciation method used to assess income taxes.

The Commission notes that Staff analyzed the details related to near-term operational impacts associated with O&M and A&G expenses. Without that component, the sales price for the Assets would be lower. However, the agreement and sales price are the result of "arms-length bargaining." *Staff Comments* at 6. The Commission received no comment asserting the sale or sales price is unreasonable. The Commission thus finds the sale satisfies Rule M and the transaction is reasonable.

The Commission also finds the proposed accounting treatment is reasonable and appropriate.

Based on the foregoing, the Commission finds it just, reasonable and in the public interest to grant the Application and approve the sale of the Assets to the City.

ORDER

IT IS HEREBY ORDERED that the Company's Application is approved as set forth above.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 5th
day of June 2020.



PAUL KJELLANDER, PRESIDENT

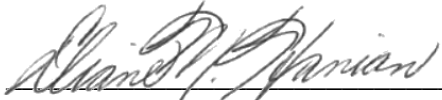


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

I:\Legal\ELECTRIC\IPC-E-20-10\Orders\IPCE2010_final_jrh.docx