

Under the Agreement, the City would provide electric service to three of the Company's customers in Idaho Falls: The first on Holmes Avenue, the second on South 25th East, and the third on Sunnyside Road. The City would buy electric facilities from the Company to serve these customers. The City also would compensate the Company for the lost revenues arising from the customers' departure. The Agreement defines "just compensation for lost revenues" as "the amount equal to 167% of the total of the respective customers' electric bills from the prior twelve-month period." Application at 3.

STAFF ANALYSIS

Staff has reviewed the proposed transaction, believes it supports the intent of the ESSA and 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 (i.e., no financial impact to the Company's existing customers), and (c) ensuring that the transferred customers will continue to receive electric service from the City. Staff believes the proposed transaction meets the statutory requirements and complies with the Commission's previous orders.

Sale Price and Accounting Treatment

The total sale price of the assets being sold is \$31,771 as shown in Table No. 1. Staff verified that the sale price listed in the Agreement includes the fair market value of the existing assets, the separation/estimator costs, the lost customer revenue, and the legal/transaction costs. The method used to generate the sales price is consistent with the methodology incorporated in the 2017 Service Allocation Agreement. *See* Case No. PAC-E-17-12, Order No. 33943. Staff believes that the Company's accounting treatment of the proceeds received from the sale of these assets ensure other Company customers will not be harmed by this transaction.

The price of the existing assets was calculated by using the replacement value of each asset being sold less depreciation. Depreciation 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 separation costs are expenses incurred during the physical separation of the assets being sold from the Company's

distribution system. The lost revenue was calculated using billing activity supplied by the Company. Staff verified that the lost revenue calculation complies with the Service Allocation Agreement between the Company and the City of Idaho Falls.

Legal/transaction costs include the costs of accounting, finance, regulation, and legal expenses related to the sale. The Company’s legal/transaction costs are consistent with a pricing guideline the Company has used for transactions with the City beginning in Case No. PAC-E-19-02. The Company’s guideline is illustrated in Table No. 2 below.

Table No. 1: Sale Price

Sale Components	Holmes Avenue	South 25 th East	Sunnyside Rd	Totals
Asset Valuation	\$4,499	\$3,771	\$4,827	\$13,097
Separation Costs	\$1,730	\$850	\$1,708	\$4,288
Lost Customer Revenue	\$2,823	\$579	\$6,485	\$9,887
Legal /Transaction Costs	\$1,500	\$1,500	\$1,500	\$4,500
Sale Price	\$10,551	\$6,699	\$14,521	\$31,771

Table No. 2: 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

In response to a Staff Production Request, the Company explained that the customers requested the transfer, so no additional notification was required.

As required by *Idaho Code* § 61-328(2), a public telephonic customer hearing was held on March 24, 2020.

As of April 6, 2020, 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 three customers located on Holmes Avenue, S. 25th East, and E. Sunnyside Road.

Respectfully submitted this 7th day of April 2020.



Matt Hunter
Deputy Attorney General

Technical Staff: Kevin Keyt
Brad Iverson-Long
Mike Morrison

i:umisc/comments/pace20.1mhkskblmm comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 7th DAY OF APRIL 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-20-01, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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/s/ Reyna Quintero
SECRETARY