

MATT HUNTER  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0318  
IDAHO BAR NO. 10655

RECEIVED  
2020 AUG -3 PM 2:28  
IDAHO PUBLIC  
UTILITIES COMMISSION

Street Address for Express Mail:  
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A  
BOISE, ID 83714

Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF ROCKY MOUNTAIN )**  
**POWER'S APPLICATION FOR APPROVAL OF )** **CASE NO. PAC-E-20-06**  
**THE PIONEER ROAD / RUSTIC LANE / 17<sup>th</sup> )**  
**SOUTH ASSET TRANSFER AGREEMENT )**  
**BETWEEN ROCKY MOUNTAIN POWER AND )** **COMMENTS OF THE**  
**THE CITY OF IDAHO FALLS )** **COMMISSION STAFF**

---

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

**BACKGROUND**

On May 22, 2020, PacifiCorp dba Rocky Mountain Power (“Company”) filed an Application requesting the Commission’s approval of the Asset Purchase Agreement (“Agreement”) between the Company and the City of Idaho Falls (“City”).<sup>1</sup> The Application requests authority to transfer from the Company to the City the rights and obligations to serve ten (10) customers.

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

---

<sup>1</sup> A copy of the Agreement is attached to the Application (Attachment A).

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.

Under the Agreement, the City would provide electric service to ten of the Company's customers in Idaho Falls: five customers on Rustic Lane, one customer on Pioneer Road, and four customers on 17<sup>th</sup> South. The City would purchase 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 and believes that 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 without financial impact to 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 \$37,612 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 values are consistent with the methodology incorporated in the 2017 Service Allocation Agreement.<sup>2</sup> The Company's proposed accounting treatment of the proceeds received from the sale of these assets ensure other Company customers will not be harmed by this transaction.

---

<sup>2</sup> The Service Allocation Agreement was approved in Case No. PAC-E-17-12, Order No. 33943 (December 5, 2017).

The price of the existing assets was calculated by using the replacement value of each asset being sold less accumulated 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/estimator 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.

Legal/transaction costs include the costs of accounting, finance, regulation, and legal expenses related to the sale. The legal/transaction costs in this case are inconsistent with the Company’s pricing guidelines provided in Case No. PAC-E-19-02<sup>3</sup> and clarified in PAC-E-19-06.<sup>4</sup> Staff believes that updating legal/transaction cost guidelines in the next update to the Service Allocation Agreement between the Company and City would be beneficial. In the tables below, the Company’s current legal/transaction price guideline (as described in Case Nos. PAC-E-19-02 and PAC-E-19-06) may be compared to the sale price calculation in this case.

**Table No. 1: Sale Price**

<b>Sale Components</b>	<b>Pioneer Road</b>	<b>Rustic Lane</b>	<b>17th South</b>	<b>Totals</b>
Asset Valuation	\$486	\$6,915	\$1,781	\$9,182
Separation Costs	\$3,287	\$2,640	\$4,076	\$10,003
Lost Customer Revenue	\$286	\$7,543	\$7,500	\$15,329
Legal /Transaction Costs	\$100	\$1,500	\$1,500	\$3,100
<b>Sale Price</b>	<b>\$4,158</b>	<b>\$18,597</b>	<b>\$14,857</b>	<b>\$37,612</b>

**Table No. 2: Legal/Transaction Price Guideline**

<b>Legal Expense Price Guidelines</b>	<b>Amount</b>
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

<sup>3</sup> See Company response to Production Request No. 7 in Case No. PAC-E-19-02.

<sup>4</sup> In a Data Request in Case No. PAC-E-19-06 the Company clarified that for an asset sale of \$2,000 or less, the Legal/Transaction Cost is 75% of the asset valuation less income taxes.

## CUSTOMER NOTICE, PRESS RELEASE AND PUBLIC COMMENTS

In response to a Staff Production Request inquiring how customers had been notified of the proposed transaction, The Company explained that some of the impacted customers requested the transfer. Those that had not requested the transfer were contacted directly to notify them of the transfer.

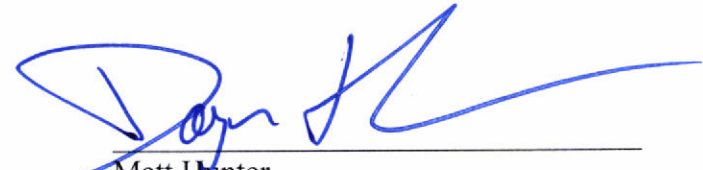
As required by *Idaho Code* § 61-328(2), a public telephonic customer hearing was held on July 7, 2020.

As of August 3, 2020, 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 on Rustic Lane, Pioneer Road, and 17<sup>th</sup> South between Rocky Mountain Power and the City of Idaho Falls.

Respectfully submitted this 3<sup>rd</sup> day of August 2020.

  
\_\_\_\_\_  
For. Matt Hunter  
Deputy Attorney General

Technical Staff: Kevin Keyt  
Travis Culbertson  
Michael Eldred

[i.umisc/comments/pace20.6mhkktncme](https://i.umisc/comments/pace20.6mhkktncme) comments




## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 3<sup>rd</sup> DAY OF AUGUST 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-20-06, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

TED WESTON  
EMILY WEGENER  
ROCKY MOUNTAIN POWER  
1407 WEST NORTH TEMPLE STE 330  
SALT LAKE CITY UT 84116  
E-MAIL: [ted.weston@pacificorp.com](mailto:ted.weston@pacificorp.com)  
[emily.wegener@pacificorp.com](mailto:emily.wegener@pacificorp.com)

DATA REQUEST RESPONSE CENTER  
**E-MAIL ONLY:**  
[datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

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

  
\_\_\_\_\_  
SECRETARY