

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

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Street Address for Express Mail:
11331 W CHINDEN BVLD, 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) **CASE NO. PAC-E-20-12**
OF THE BISH'S RV ASSET TRANSFER)
AGREEMENT BETWEEN ROCKY)
MOUNTAIN POWER AND THE CITY OF) **COMMENTS OF THE**
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 September 23, 2020, Rocky Mountain Power (“Company”), a division of PacifiCorp, asked the Commission to approve its asset transfer agreement (“Agreement”) with the City of Idaho Falls (“City”). Under the Agreement, the City would buy Company-owned electric facilities that the City needs to provide electric service to Bish’s RV in Idaho Falls (“customer” or “Bish’s RV”).

The Company filed its Application under the electric utility asset transfer statute, *Idaho Code* § 61-328. The Company requests that its Application be processed under Modified Procedure, Rule 201 *et seq.* See IDAPA 31.01.01.201 through .204. Typically, Modified Procedure contemplates a case would be processed through written submissions without a live

hearing. However, the electric utility asset transfer statute, *Idaho Code* § 61-328, requires the Commission to “conduct a public hearing upon the application.”

The Company and the City signed a service allocation agreement in 2017 to reduce duplication of service and promote stability in their respective service areas. The Commission approved the Service Allocation Agreement in Case No. PAC-E-17-12, Order No. 33943.

Under the Agreement, the City would provide electric service to Bish’s RV. The City would buy electric facilities from the Company to serve this customer. The City also would compensate the Company for the lost revenues arising from the customer’s 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 12-month period.”

Besides compensating the Company for lost revenues, the City would pay the Company for the value of the transferred assets, tax gross-up, separation costs, and legal/transactional costs. The total sale price for the transaction would be \$78,268.

STAFF REVIEW

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 its Application, the Company provided explanations of how this particular transaction complies 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 previous Commission orders.

Sale Price and Accounting Treatment

The total sale price of the assets being sold is \$78,268 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 these values was consistent with the Service Allocation Agreement approved in Order No. 33943. Staff believes that the Company’s accounting treatment of the

proceeds received from the sale of these assets ensures the Company's 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 the straight-line method, consistent with previous 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. The above-mentioned components of the sale price were verified by Staff to conform to the terms of the Service Allocation Agreement and previous Commission orders.

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 and clarified in PAC-E-19-06. Staff believes that including legal/transaction cost guidelines in the next update to the Service Allocation Agreement would be beneficial. The Company's current legal/transaction price guideline is illustrated in Table No. 2 below.

Table No. 1: Sale Price

Sale Components	Totals
Asset Valuation	\$14,179
Separation Costs	\$1,362
Lost Customer Revenue	\$60,727
Legal /Transaction Costs	\$2,000
Sale Price	\$78,268

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 its Application, the Company explained that the customer requested its electric service be transferred to the City. The Company notified the customer that it entered into an agreement with the City to transfer service. Staff believes that no further customer notification is required.

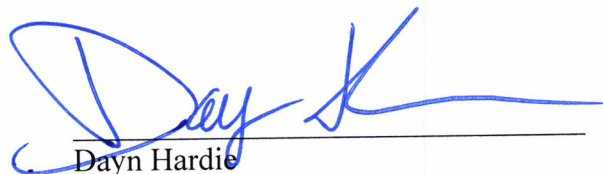
A public telephonic customer hearing was held on October 27, 2020 at 3:00 PM MST, as required by *Idaho Code* §61-328 (2). No members of the public called to offer testimony.

As of November 6, 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 Bish's RV between Rocky Mountain Power and the City of Idaho Falls.

Respectfully submitted this ^{6th} day of November 2020.



Dayn Hardie
Deputy Attorney General

Technical Staff: Kevin Keyt
Travis Culbertson

i:umisc/comments/pace20.12dhtnckk comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 6th DAY OF NOVEMBER 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-20-12, 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
emily.wegener@pacificorp.com

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

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



SECRETARY