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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-22-11
OF THE ASSET TRANSFER AGREEMENT)
BETWEEN ROCKY MOUNTAIN POWER)
AND THE CITY OF IDAHO FALLS FOR) COMMENTS OF THE
REED'S DAIRY) COMMISSION STAFF
_____)**

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

BACKGROUND

On August 8, 2022, Rocky Mountain Power (“Company”), a division of PacifiCorp, applied to the Commission for approval of an Asset Transfer Agreement (“Agreement”) between the Company and the City of Idaho Falls (“City”). Under the Agreement, the City would purchase “certain electric facilities currently owned and used by the Company to supply electric service to Reed’s Dairy.” Application at 1.

The Company and the City entered into 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 Order No. 33943, Case No.

PAC-E-17-12. Under the Service Allocation Agreement, the City will compensate the Company for lost revenues arising from a Customer's departure. Just compensation for lost revenues is the amount equal to 167% of each customer's electric bills from the most recent 12 months of active provision of electric service. The City would also purchase poles, wires, cross arms, insulators, guys, and other facilities no longer needed or required by the Company to serve the customers.

The Company submitted its Application for approval under the Idaho Electric Supplier Stabilization Act ("ESSA"), *Idaho Code* §§ 61-332 et. seq., and the electric utility asset transfer statute, *Idaho Code* § 61-328. The electric utility asset transfer statute, *Idaho Code* § 61-328, requires the Commission to "conduct a public hearing upon the application." The Commission will hold a public hearing on Monday, September 26, 2022, at 11:00 am MDT.

Reed's Dairy has requested that its electric service be transferred to the City and has been notified by the Company that it has entered into the Agreement to transfer service. The Company and the City have agreed to transfer electric service and the City has agreed to purchase the facilities described in Exhibit A of the Agreement, provided as Attachment No. 1 to the Application.

The Company asserts that the transaction complies with *Idaho Code* § 61-328 and is in the public interest. The Company asserts the City has the intent and ability to provide service to Reed's Dairy.

The City has agreed to pay the Company 167% of the Reed's Dairy's previous 12 months electric bills, plus the value of the transferred assets, tax gross-up, separation costs, and legal and transactional costs.

STAFF ANALYSIS

Staff reviewed the proposed transaction and believes that it supports the intent of the ESSA and is consistent with prior Commission orders. Therefore, Staff recommends the Commission approve the Company's Application.

In its Application, the Company explained 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 customer will continue to receive electric service from the City.

Sale Price and Accounting Treatment

Under the Agreement, the City would provide electric service to one customer, Reed's Dairy, currently being supplied electric service by the Company. The City would purchase electric facilities from the Company to serve the customer. 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." *Id.* at 3. The total sale price for the transaction would be \$85,594 as shown in Table No. 1. Staff verified that the sale price listed in the Agreement includes the replacement book 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 is consistent with the method incorporated in the 2017 Service Allocation Agreement. The Company's accounting treatment of the proceeds received from the sale of these assets assure other Company customers will not be harmed by this transaction.

Table No. 1: Calculation of Transaction Price

Sale Components	Totals
Asset Valuation	\$5,428
Separation Costs	\$280
Lost Customer Revenue	\$79,387
Legal /Transaction Costs	\$500
Sale Price	\$85,594¹
¹ Difference due to rounding above.	

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/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.

CUSTOMER NOTICE AND PUBLIC COMMENTS

In accordance with Rule 125 of the Commission's Rules of Procedure (IDAPA 31.01.01), no customer notice is required. As of September 13, 2022, no public comments have been received.

STAFF RECOMMENDATIONS

Staff recommends the Commission approve the Asset Transfer Agreement and authorize the transfer of electric service for Reed's Dairy between Rocky Mountain Power and the City of Idaho Falls.

Respectfully submitted this 14th day of September 2022.



Michael Duval
Deputy Attorney General

Technical Staff: Travis Culbertson
Chris Hecht
Kathy Stockton

i:umisc/comments/pace22.11mdtncklscwh comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14th DAY OF SEPTEMBER 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-22-11, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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