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Attorney for the Commission Staff

## **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF ROCKY MOUNTAIN</b>	)	
<b>POWER'S APPLICATION FOR APPROVAL</b>	)	<b>CASE NO. PAC-E-23-02</b>
<b>OF THE ASSET TRANSFER AGREEMENT</b>	)	
<b>BETWEEN ROCKY MOUNTAIN POWER</b>	)	<b>COMMENTS OF THE</b>
<b>AND THE CITY OF IDAHO FALLS —</b>	)	<b>COMMISSION STAFF</b>
<b><u>BELLIN ROAD #1</u></b>	)	

**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 February 9, 2023, Rocky Mountain Power, a division of PacifiCorp (“Company”), and the City of Idaho Falls (“City”) (together the “Parties”) applied to the Commission for approval of an Asset Transfer Agreement (“Agreement”) between the Company and the City (“Application”).<sup>1</sup> The Application outlines a process whereby the City would purchase certain electric facilities currently owned and used by the Company at a location in the immediate vicinity of Bellin, Road, Idaho Falls, Idaho. As proposed, the Company would transfer service of one customer (“Customer”) to the City.

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<sup>1</sup> A less redacted copy of the Application was filed on February 21, 2023.

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 Case No. PAC-E-17-12, Order No. 33943. The Customer has requested that their electric service be transferred to the City. 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 Confidential Attachment No. 1 to the Application. Under the Service Allocation Agreement, the City compensates the Company for lost revenues arising from the Customer's departure in 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 will pay separation costs and legal/transactional costs based on the amount of the transaction. The City will also purchase poles, wires, cross arms, insulators, guys, and other facilities no longer needed or required by the Company to service the customers.

The Company submits its Application for approval under the Idaho Electric Supplier Stabilization Act, *Idaho Code* §§ 61-332 *et. seq.*, and the electric utility asset transfer statute, *Idaho Code* § 61-328.<sup>2</sup>

A Customer requested that its "electric service be transferred to the City . . . . The Company and the City have agreed to transfer electric service and the City has agreed to purchase the facilities described in Exhibit A." Application at 3.

The Company asserts that the transfer complies with *Idaho Code* § 61-328 and is in the public interest. The Company asserts the City has the intent and ability to provide electric service to the Customer.

The City has agreed to pay the Company 167% of the Customer's previous 12 months electric bills, plus the value of the transferred assets, tax gross-up, separation costs, and legal and transactional costs. The total sale price in the contemplated transaction is \$13,631. Exhibit A.

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<sup>2</sup> The Company requested that its Application be processed under Modified Procedure, Rule 201 *et seq.* See IDAPA 31.01.01.201 through .204. Typically, the use of Modified Procedure contemplates written submissions without a live public hearing. However, *Idaho Code* § 61-328 states the Commission "shall issue a public notice and *shall conduct a public hearing* upon the application (emphasis added)."

## **STAFF ANALYSIS**

Staff reviewed the proposed transaction and believes that it supports the intent of the Electric Supplier Stabilization Act (“ESSA”) and is consistent with prior Commission orders. In the Application, the Company explained how this 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 that rates for supplying service will not be increased for existing customers; and (c) ensuring that the transferred customers will continue to receive electric service from a provider (the City) that has the bona fide intent and the financial ability to properly maintain this public service for the Customer. Staff believes the proposed transaction meets the statutory requirements and complies with the Commission's previous orders.

### **Sales Price and Accounting Treatment**

Under the Agreement, the City would provide electric service to one residential customer on South Bellin Road (exempt from public review under Idaho Code § 74-109(3) and Idaho Public Utilities Commission’s Rule of Procedure 67), currently being supplied electric service by the Company. The City would purchase electric facilities from the Company to serve the customer. The City would also 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 \$13,631 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 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 assures other customers will not be affected by this transaction.

**Table No. 1: Calculation of Transaction Price**

<b>Sale Components</b>	<b>Totals</b>
Asset Valuation	\$ 7,580
Separation Costs	\$ 2,780
Lost Customer Revenue	\$ 1,772
Legal & Transaction Costs	\$ 1,500
<b>Sales Price</b>	<b>\$ 13,632</b>

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. Legal and transaction costs include the costs of accounting, finance, regulation, and legal expenses related to the sale.

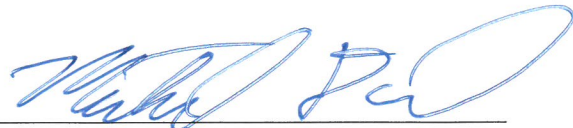
#### **CUSTOMER NOTICE AND PUBLIC COMMENTS**

In accordance with Rule 125 of the Commission's Rules of Procedure (IDAPA 31.01.01), no customer notice is required. As of April 18, 2023, 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 the residential customer on South Bellin Road, between Rocky Mountain Power and the City of Idaho Falls.

Respectfully submitted this 19<sup>th</sup> day of April 2023.



Michael Duval  
Deputy Attorney General

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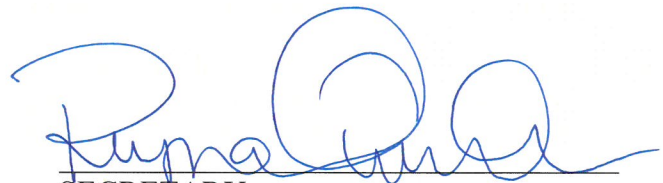
## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 19<sup>th</sup> DAY OF APRIL 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-23-02, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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