

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN) CASE NO. PAC-E-24-06
POWER’S APPLICATION FOR APPROVAL)
OF THE TRANSFER OF PORTIONS OF THE)
NORTH TEMPLE PROPERTY AND) ORDER NO. 36336
ACCOUNTING ORDER)
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On April 15, 2024, PacifiCorp dba Rocky Mountain Power (“Company”) applied for approval of a Property Transfer Agreement (“Transfer Agreement”) it entered with LHM DEV E, LLC (“Developer”) and a determination that the disposition of the property is in the public interest. The Company requested authority to sell or transfer property under *Idaho Code* 61-328. The Company also requests an accounting order authorizing it to record any net proceeds from the sale as a regulatory liability. The Company requests its Application be processed by Modified Procedure and the Commission issue a final order by October 1, 2024.

On May 24, 2024, the Commission issued a Notice of Application and Notice of Modified Procedure setting dates for public comments and the Company’s reply. Order No. 36191. Staff filed comments to which the Company replied. No other comments were received.

Having reviewed the record in this matter, we now issue this Final Order granting the Company’s request for an accounting order to record the proceeds from the sale of its North Temple Property (“NTP”).

THE APPLICATION

The Company represents the NTP it seeks authority to sell contains facilities that support several of the Company’s operational functions in the six states it operates. These functions include engineering, IT, HR, renewable development, health and safety, legal, finance, customer service, grid operations, regulatory, thermal generation, environmental, and facilities/property management. The grid operations center located on the property supports the mountain west service territories. The Company represents the facilities housing these above-mentioned functions and associated personnel no longer meet disaster recovery requirements and have exceeded their useful lives. The Company lists a myriad of issues present at the existing facilities to support its position.

The Company commissioned a third-party assessment that explored either renovating the existing facilities at the NTP or new construction. According to the study the new construction would cost at least ten percent less than renovation of existing facilities.

The Company's plans for the initial phase consist of a new headquarters building ("New HQ") and the possibility of a new energy services building ("New ESB").¹ The New ESB would be built to critical infrastructure resilience risk category IV standards to ensure the Company's critical infrastructure located within remains operational during and after extreme incidents. The Company plans to develop 4-10 acres of the NTP and would retain about 35 acres for the Gadsby power plant and substation.

The NTP contains several "Blocks" that will be available to the Developer after relevant conditions have been met—Block 1-A, Block 1-B, Block 2, Block 3, and Block 4 ("NTP Blocks"). The Developer is not required to exercise its entire option at once and the Transfer Agreement contains a timeline for mandatory purchases. The Transfer Agreement also contains the agreed upon price for the separate Blocks and price escalators to account for time.

The Company is not seeking a prudence determination at this time. If authorized, the Company will credit Federal Energy Regulatory Commission ("FERC") Account 254-Other Regulatory Liabilities and debit FERC Account 421.1-Gain on disposition of property.

THE COMMENTS

1. Staff's Comments

Staff recommended approval of the Company's request for an accounting order that would (1) approve the sale of the NTP Blocks; (2) allow the Company to record the proceeds from the sale of NTP Blocks as a regulatory liability; and (3) approve a carrying charge matching the customer deposit rate for the proceeds of the disposition.² Staff recommended the Commission withhold approval of the Company's Transfer Agreement and direct the Company to file a finalized version of the Transfer Agreement in a future rate proceeding when the Company seeks recovery of any costs associated with the disposition of the NTP Blocks.

¹ Exhibit 1 of the Company's Application shows that the remodel would include about 234,000 sq ft and the new headquarters construction would include 150,000 sq ft.

² Staff did not review the Company's request pursuant to *Idaho Code* § 61-328 which requires Commission-approval for the sale or transfer of assets located in Idaho that are owned by an electric corporation "used in the generation, transmission, distribution or supply of electric power and energy to the public or any portion thereof." *Idaho Code* § 61-328.

Staff noted that it is not opposed to the sale of the NTP Blocks as contemplated in the Transfer Agreement but expressed significant concerns with several components of the Transfer Agreement, namely that several related agreements are still being negotiated that it argues will affect the Transfer Agreement. Staff noted these related agreements are not related to the sale of the NTP Blocks but contain terms and conditions that must be met before the sale of any NTP Blocks can occur. Staff stated that these agreements include a Master Development Agreement (“MDA”), negotiated deadlines, and agreements for the possible construction of new facilities (New HQ and New ESB). Staff claimed that the Company offered “vague or incomplete responses to certain discovery requests” propounded by Staff that leave several unanswered questions about potential risks to customers for costs the Company will likely seek recovery of. Staff Comments at 4. Staff recommended the Commission withhold approval of the Transfer Agreement filed with the Application and direct the Company to file a copy of the finalized version when it seeks recovery in a future rate proceeding.

To complete the sale of the NTP Blocks contemplated in the Transfer Agreement, Staff noted the Company will have to relocate some transmission facilities. There will be costs borne by the Company and ultimately customers for this relocation and additional easements may be required. Additionally, Staff offered concerns about the unknown constraints in the Transfer Agreement regarding the development of the New HQ and New ESB. Staff noted the Transfer Agreement contemplates the potential development of the New HQ and New ESB but refers to several benchmarks, including an executed MDA, which must occur prior to development of these new facilities. However, when pressed by Staff to provide updated cost estimates for the development of the New HQ and New ESB, the Company objected stating that it only sought approval to sale the NTB Blocks pursuant to *Idaho Code* § 61-328.

Staff opined that the MDA, which several conditions the Transfer Agreement depend on, is still being developed or was otherwise not provided to Staff in a fully executed form. Staff’s concern with the absence of an executed MDA is that it contains several terms and deadlines that the Transfer Agreement requires before it can be finalized. Because there is no MDA and the Transfer Agreement is not yet finalized, Staff recommended the Commission withhold approval of the Transfer Agreement and direct the Company to file the finalized version when it seeks recovery of costs associated with the disposition of the NTP Blocks in a future rate proceeding.

2. Company Reply

The Company restated its request for approval of the Transfer Agreement, determination that the sale of the NTP Blocks is in the public interest, and an accounting order allowing the Company to record the proceeds of the NTP Block sale(s) as a regulatory liability. The Company supported Staff's recommendation to approve its request for an accounting order that allows it to record the proceeds from the sale of the NTP Blocks pursuant to the Transfer Agreement as a regulatory liability and does not object to Staff's recommendation to file a finalized Transfer Agreement in a future rate proceeding. However, the Company disagreed with Staff's recommendation to withhold approval of the submitted Transfer Agreement due to the nonexistence of a finalized version.

The Company implied that Staff's concerns go beyond its Application seeking approval of the Transfer Agreement pursuant to *Idaho Code* § 61-328. The Company clarified that it did seek approval of the Transfer Agreement, but only within the context of *Idaho Code* § 61-328. The Company interpreted Staff's recommendation to approve the sale of the NTP Blocks as support for its Application while almost simultaneously, but very explicitly, declaring that Staff did not clearly define the term "NTP Blocks" for the purposes of its recommendation. To remedy this confusion, the Company again requested the Commission approve its request for "an order approving the Transfer Agreement in accordance with *Idaho Code* § 61-328." Company Reply Comments at 4. The Company offered another option, approving the sale "as outlined in the Transfer Agreement in accordance with I.C. § 61-328" (emphasis added). *Id.* at 5.

The Company noted that Staff's concerns with the construction of the New HQ and New ESB exceed the scope of its request here. It noted the projects were only mentioned to provide context. The Company offered that its Application only seeks approval to sell property consistent with *Idaho Code* § 61-328, which Staff supports. Regarding Staff's concerns with the relocation of transmission facilities, the Company noted it is in the design phase still and will not include easement costs for the NTP, but the relocation costs will be included in a regulatory balancing account that can be reviewed for prudence in a future rate proceeding. Lastly, the Company noted the MDA provides development requirements consistent with the legacy of the neighborhood and is only tangentially related to the Transfer Agreement, but not part of its Application and not something the Company seeks approval of.

The Company concluded by noting that it considers Staff's recommendation for approval of the sale of the NTP Blocks as the same approval it seeks. The Company stated the tertiary concerns brought up in Staff's comments exceed the scope of its Application and any costs or benefits (including from the construction of a New HQ or New ESB) will be dealt with in a future rate proceeding. The Company again requests (1) an order approving the Transfer Agreement as proposed *OR* an order approving the sale of the NTP Blocks as *outlined* in the Transfer Agreement; (2) approval of an accounting order to record the proceeds from the sale of the NTP Blocks as a regulatory liability; and (3) an order directing the Company to file the finalized Transfer Agreement in a future rate proceeding.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction over the Company's Application and the issues in this case under Title 61 of the Idaho Code including, *Idaho Code* §§ 61-501, -502, and -503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501, -502, and -503.

While the Company requested approval of the transfer under *Idaho Code* § 61-328 (the statute that controls the sale or transfer of certain property held by regulated electric utilities), we decline to review this case under *Idaho Code* § 61-328 because it states “[n]o electric public utility . . . owning, controlling or operating any property *located in this state* which is used in the generation, transmission, distribution or supply of electric power and energy to the public or any portion thereof, shall . . . sell . . . any such property or interest therein, or the operation, management or control thereof . . . except when authorized to do so by order of the public utilities commission” (emphasis added). Based on a plain reading of this statute, the Company is not required to obtain approval from this Commission to dispose of the NTP Blocks because they are not located in Idaho. Therefore, this Commission does not need to approve the sale of the NTP Blocks as contemplated in the Company's Application.

Because the Company is not required to obtain this Commission's approval to sell the NTP Blocks, but there will be corresponding proceeds if the anticipated sales occur, we direct the Company to account for these transactions by crediting FERC Account 254-Other Regulatory Liabilities and debiting FERC Account 421.1-Gain on disposition of property, as proposed. The

proceeds from the sales of the NTP Blocks and any associated costs shall be deferred for future ratemaking treatment and prudence determination. The Company shall apply a carrying charge equal to the customer deposit rate to the balancing accounts. The Company must also file the finalized Transfer Agreement for review before any ratemaking treatment will be allowed.

ORDER

IT IS HEREBY ORDERED that the Company shall defer the proceeds and associated cost from the contemplated sale of the NTP Blocks by crediting FERC Account 254 and debiting FERC Account 421.1. When the Company seeks ratemaking treatment in a future proceeding, it must file a finalized version of the Transfer Agreement.

IT IS FURTHER ORDERED that the Company shall apply a carrying charge to the regulatory liability from the sale of the NTP Blocks equal to the customer deposit rate.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code §§ 61-626.*

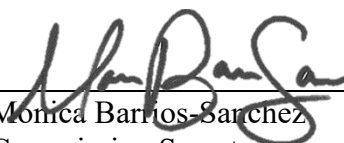
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of September 2024.


ERIC ANDERSON, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


EDWARD LODGE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary

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