

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 30, 2018

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: January 16, 2018

TO: Public Utility Commission

FROM: Kathy Zarate *KZ*

THROUGH: *J* Jason Eisdorfer and *Jc* John Crider

SUBJECT: IDAHO POWER: (Docket No. UP 359) Requests Approval of an asset sale to the City of Meridian, Idaho.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve Idaho Power's (or Company) Application requesting approval of an Asset Sale to the City of Meridian, Idaho.

1. Idaho Power shall notify the Commission in advance of any substantive change to this Agreement, including any material changes in price. Any changes to the Agreement terms that alter the intent and extent of activities under the Agreement from those approved herein, shall be submitted for approval in an application for a supplemental order (or other appropriate form) in this docket.
2. The Commission reserves the right to review, for reasonableness, financial aspects of this arrangement in any rate proceeding.
3. The final journal entry recording the transaction shall be submitted to the Commission within 60 days after the transaction closes.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's Application for Approval of an Asset Sale to the City of Meridian, Idaho.

Applicable Rule or Law

ORS 757.480(1) requires public utilities doing business in the state of Oregon to seek Commission approval prior to the sale, lease, assignment or disposal of property valued in excess of \$100,000 that is necessary or useful in the performance of its duties to the public.

OAR 860-027-0025 sets forth the information required to support a request to approve the sale of utility property. OAR 860-027-0025(1)(l) requires that the applicant provide the facts that underlie a demonstration that the proposed sale will be consistent with the public interest. The Commission has interpreted the phrase "consistent with the public interest" as used in this rule to require a showing of "no harm to the public." See, e.g., *In re PacifiCorp*, OPUC Docket No. UP 168, Order No. 00-112 at 6 (Feb. 29, 2000); *In re Portland General Electric*, OPUC Docket No. UP 165, Order No. 99-730 at 7 (Nov. 29, 1999).

Finally, the Commission's authority, broadly speaking, is to obtain adequate service for customers at fair and reasonable rates while at the same time balancing the interests of the utility's investors. See ORS 756.040.

Analysis

Idaho Power filed its Application Requesting Approval of an Asset Sale to the City of Meridian, Idaho (Application) on December 6, 2017. In its Application, the Company requests approval to sell certain assets, beyond the point of delivery, included in Attachment A to the Agreement. Idaho Power notes that the assets are located in Idaho and that the sale of the assets will not impact its customers, including Oregon customers.

Idaho Power owns, operates, and maintains certain distribution facilities located beyond the point of delivery (POD) at the City's wastewater treatment facility. These distribution facilities are installed solely to benefit the City and, in exchange for Idaho Power owning, operating, and maintaining the same, the City pays Idaho Power a monthly facilities charge pursuant to its Schedule 66 in Idaho. The assets subject to the sale were never included in Oregon rates.¹

In its original Application, the total sale price of the Assets was \$761,693. Idaho Power indicated it will also collect \$480 in estimated work order closing costs, representing labor costs to update the Company's asset records and facilities maps. As set forth in Section 3 of the Agreement, the sale price is subject to change if Idaho Power replaces

¹ Idaho Power Company's response to Staff Information Request No. 1.

any of the Assets before closing the transaction. The sale price may also change depending on the actual closing date; a change in price would be based on the Asset sale closing after the beginning of a new calendar year. The price change would reflect the reduction in book value of the Assets due to an additional year of depreciation, the impact of an additional year on the "true up" of the past levelized rate of return, (the true-up of past levelized rate of return associated with the Assets is \$81,280), and associated impacts on the net tax gross-up. On January 22, 2018, Idaho Power filed a letter with the Commission indicating that the sales price for the Assets had changed, based on the closing date of the sale. Because the sale closes in 2018, the purchase price was updated to \$668,805. The updated sales price primarily results from the change in tax rates, but also reflects an additional year of depreciation in the net book value of the assets, an additional year of the true-up of the past levelized rate of return, as well as other updates.

The Agreement also contains provisions requiring the City to compensate the Company \$15,951 for costs associated with a "sectionalizer" located at the wastewater treatment facility. Idaho Power will reprogram this sectionalizer to become the wastewater facility's POD.

The sectionalizer will not be sold to the City; instead, Idaho Power will continue to own, operate, and maintain the sectionalizer. Further, as provided in the Agreement, Idaho Power will continue the provision of reliable electric service to its customers.

In review of the Company's application, Staff issued three data requests.

Staff investigated the following issues:

1. Terms and Conditions of the Agreement
2. Transfer Pricing
3. Public Interest Compliance
4. Records Availability, Audit Provisions, and Reporting Requirements

Terms and Conditions of the Agreement

Staff's review of the Agreement did not identify any unusual or restrictive terms or conditions.

Transfer Pricing

The cost components are specific to Idaho jurisdictional requirements and are the same cost components included in Idaho Power's base rate revenue requirement in Idaho for like facilities.

Idaho Power seeks approval of the proposed sale of the Assets to the City. The sale price is \$668,805 and is the amount agreed upon as the result of an arm's length transaction.

Public Interest Compliance

Approving of an asset sale will not harm customers, as it will not impede the Company's ability to provide safe and reliable service in the area. Because customers are not harmed by this transaction, Staff concludes that the Agreement is in the public interest.

Records Availability, Audit Provisions, and Reporting Requirements

Staff notes that the Commission retains the ability to review all property sales and lease agreements entered by the Company through general rate case filings. Staff's recommendation affords the Commission the ability to examine Idaho Power's books and records as necessary.

Idaho Power has reviewed this memo and has not communicated any objections or concerns.

Conclusion

Based on the review of Idaho Power's application, Staff concludes that the Commission should approve the Application, subject to the following conditions:

1. Idaho Power shall notify the Commission in advance of any substantive change to this Agreement, including any material changes in price. Any changes to the Agreement terms that alter the intent and extent of activities under the Agreement from those approved herein, shall be submitted for approval in an application for a supplemental order (or other appropriate form) in this docket.
2. The Commission reserves the right to review, for reasonableness, financial aspects of this arrangement in any rate proceeding.
3. The final journal entry recording the transaction shall be submitted to the Commission within 60 days after the transaction closes.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's Application Requesting Approval of an Asset Sale to the City of Meridian, Idaho, subject to Staff's recommended conditions.