

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Rocky Mountain Power for Approval of its Asset Transfer Agreement with the City of Blanding, Utah

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DOCKET NO. 13-035-58
ORDER APPROVING ASSET
TRANSFER AGREEMENT

ISSUED: June 12, 2013

By The Commission:

BACKGROUND

On April 19, 2013, Rocky Mountain Power, a division of PacifiCorp (“RMP” or “Company”), filed with the Commission an Application for Approval of Asset Transfer Agreement (“Agreement”) with the City of Blanding, Utah (“City”). The Agreement provides for the transfer of distribution facilities and 35 customers that are located within the Company’s service territory and outside the City’s municipal boundaries from RMP to the City.

As described in the application, the Company currently purchases power from the City under a Load Requirements Contract in order to serve the 35 customers. The Company indicates the Agreement would eliminate the need for this arrangement and allow for direct service to those customers by the City. The Company further notes the transfer of ownership of the distribution facilities would provide a clear delineation of Company and City property and customers; thereby improving administrative efficiency and operational quality with uniform rates and service for neighborhoods within the City.

DISCUSSION

On May 20, 2013, the Division of Public Utilities (“Division”) filed a response to the Commission’s Action Request, recommending approval of the Agreement. In support of its

recommendation, the Division explains customers impacted by the transfer will experience no obvious change to their electric service, as RMP will continue to maintain the facilities through a separately negotiated utility services agreement with the City. Moreover, according to responses to data requests issued by the Division, a majority of the current RMP customers will actually see a decrease in rates with the City if the transfer is approved due to the City's declining block rate structure, as opposed to the inverted block structure for RMP. The Division is unaware of any opposition by the 35 customers to the proposed transfer of their service to the City.

The Division further indicates that RMP and its remaining customers would benefit from the Agreement. Although the Company will receive only \$25,000 for the distribution facilities with an estimated net book value of \$50,000¹, the Division points to offsetting considerations, including: (1) potential expense savings realized from no longer serving the 35 customers²; and (2) increased revenue to the Company associated with the separately negotiated utility service agreement with the City. Because the Division's conclusion that the Agreement is in the public interest is based in part on the terms and conditions contained in the separately negotiated utility services agreement, we direct the Company to file a copy of that agreement in this docket by August 1, 2013, in order to ensure a complete record of relevant evidence is maintained in this case.

Notwithstanding its recommendation for approval, the Division notes the Company should have done more to inform its customers of the potential impacts associated with the

¹ The Division indicates that "[o]ne way to view the book value of the plant is a sunk cost." *Division Action Request Response*, p.3.

² Based on their review of data request responses, the Division indicates the Company likely had a positive operating income associated with the 35 customers for the past three years, "but when the capital expenditures are included, the Company was in a negative cash flow position. The Company was probably looking at close to breaking even on cash flows going forward." *Division Action Request Response*, p.4.

transfer.³ To address this issue, the Division recommends the Commission order that in “in similar future cases the Company, at a minimum, provide transferring customers with a notice of that customer’s annual usage and other information that would facilitate the customer being able to understand the effect of moving to tariffs with a new electricity provider.” The Commission agrees with the Division and directs the Company to provide enough information to customers in future cases to help them understand likely changes to their bills.

We generally concur with the Division that the Agreement will facilitate administrative efficiency and will not likely result in negative service impacts for the existing 35 customers, and is therefore in the public interest. Moreover, it is well settled that the Commission encourages resolution of matters by agreement of parties. *See* Utah Code Ann. § 54-7-1. Therefore, the Agreement is approved, as requested in the application. The Commission makes no findings or conclusions with respect to value received by RMP for the facilities or the separately negotiated utility services agreement between the City and RMP. All other issues, including cost recovery issues, are reserved for an appropriate future proceeding.

ORDER

Pursuant to the foregoing discussion, findings and conclusions made herein, we approve the Agreement.

³ The Division reports that the Company’s sole effort to inform its customers of potential rate impacts of the transfer is the following line included in letters to the affected customers: “Blanding City’s current rates and service rules can be found at: www.blanding-ut.gov/services.electric.html.” *Division Action Request Response*, p.3.

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DATED at Salt Lake City, Utah this 12th day of June, 2013.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DH#244754

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 12th day of June, 2013, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Data Request Response Center (datarequest@pacificorp.com)
PacifiCorp

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