



## FortisAlberta Inc.

Sale and Transfer of  
Wildwood Rural Electrification Association Ltd.

August 19, 2010

**ALBERTA UTILITIES COMMISSION**

Decision 2010-400: FortisAlberta Inc.

Sale and Transfer of Wildwood Rural Electrification Association Ltd.

Application No. 1606259

Proceeding ID. 675

August 19, 2010

Published by

Alberta Utilities Commission

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**FORTISALBERTA INC.  
SALE AND TRANSFER OF WILDWOOD  
RURAL ELECTRIFICATION ASSOCIATION LTD.**

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## **1 INTRODUCTION**

1. FortisAlberta Inc. (Fortis) filed an application with the Alberta Utilities Commission (AUC or Commission) on behalf of the Wildwood Rural Electrification Association Ltd. (Wildwood REA) for approval to discontinue the operation of Wildwood REA's electrical distribution system. The Wildwood REA proposed to sell its assets and transfer its customers to Fortis. The application was registered on May 31, 2010 as Application No. 1606259 (Application) and was assigned Proceeding No. 675.

## **2 DISCUSSION**

2. Wildwood REA is the operator of an electric distribution system in the Wildwood area. The current service area boundary for the Wildwood REA was approved on February 10, 1988, by way of Approval No. HE 7846D.

3. Wildwood REA held a special general meeting on April 20, 2010, to vote on the sale of its assets to Fortis. The voting result was that 71.6 per cent of the registered members voted in favour of the sale to Fortis.

4. The Director of Rural Electrification Associations for the Province of Alberta was apprised of the voting results and approved the transfer of Wildwood REA electric distribution system to Fortis on May 27, 2010.

5. The terms and provisions of the sale were outlined in the Asset Purchase Agreement dated May 12, 2010, between Wildwood REA and Fortis. The effective date of the sale was June 1, 2010.

6. The Applicant notified the Commission that Wildwood REA agreed to sell its undertakings and facilities and to transfer its customers to Fortis and requested approval to discontinue the operation of Wildwood REA's electrical distribution system. The purchase price was \$3,855,314 plus GST as applicable. The transaction reflected 476 service sites within Wildwood REA. Fortis stated that the agreed purchase price was calculated on the basis of Replacement Cost New – Depreciated (RCN-D), as defined and discussed in Fortis's recent 2010-2011 Distribution Tariff - Phase I proceeding.<sup>1</sup>

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<sup>1</sup> 2010-2011 Distribution Tariff - Phase I was AUC Application No. 1605170, Proceeding ID. 212. [Decision 2010-309](#) was released July 6, 2010, for this proceeding.

7. The Notice of Application was issued on June 18, 2010. The Notice of Application was published in the Edson Leader, the Edson Weekly Anchor, and the Mayerthorpe Freelancer newspapers, as well as on the Commission website. It was also mailed to parties who had previously expressed concern with respect to the sale of the Wildwood REA. One objection was received in response to the Notice of Application. The objection was reviewed by the Commission and was dismissed by a ruling on August 18, 2010.

### 3 FINDINGS

8. Under section 32(1) of the *Hydro and Electric Energy Act*, the service area of an electric distribution system may not be altered without approval of the Commission. Section 32(1) of the *Hydro and Electric Energy Act* states:

Rural electrification association

32(1) If a rural electrification association

- (a) under any order made under section 29,
  - (i) has the size of its service area reduced, or
  - (ii) ceases to operate in a service area or part of it,

or

- (b) on being authorized under section 30 to do so, discontinues the operation of its electric distribution system,

the Commission may, when in the Commission's opinion it is in the public interest to do so and on any notice and proceedings that the Commission considers suitable, by order transfer to another person the service area or part of it served by the rural electrification association.

9. The Commission notes that Wildwood REA and Fortis have agreed to the sale and transfer of the Wildwood REA as indicated by the Asset Purchase Agreement. The Commission further notes that the Rural Utilities Division has approved the purchase of the Wildwood REA by Fortis. Given these facts, the Commission has reviewed the Application and is satisfied that the discontinuation of the Wildwood REA distribution system is in the public interest in accordance with section 32 of the *Hydro and Electric Energy Act*.

10. The Commission notes that purchase price of \$3,855,314 plus GST may be intended to be used by Fortis for the purpose of incorporating the assets in to Fortis's rate base. However, while Fortis and the Wildwood REA have agreed on a purchase price of \$3,855,314 for the assets exchanged, the Commission, at this time, is not making any comment on the prudence of the purchase with respect to the inclusion of that amount into Fortis's rate base. Such a prudence review is normally a part of Fortis's subsequent Phase I Distribution Tariff Application to the Commission.

#### **4 DECISION**

11. Pursuant to sections 32 of the *Hydro and Electric Energy Act*, the Commission approves the Application and grants discontinuance of the Wildwood REA, as set out in the Appendix 1 – Discontinuation of Distribution System – Approval No. U2010-306 – August 19, 2010, to Wildwood REA (Appendix 1 will be distributed separately).

12. The Commission rescinds REA Approval No. HE 7846D.

Dated August 19, 2010.

#### **ALBERTA UTILITIES COMMISSION**

*(original signed by)*

Thomas McGee  
Commissioner