



AUC

Alberta Utilities Commission

ATCO Electric Ltd.

**Sale and Transfer of Munson
Rural Electrification Association Ltd.**

October 27, 2011

The Alberta Utilities Commission

Decision 2011-427: ATCO Electric Ltd.

Sale and Transfer of Munson Rural Electrification Association Ltd.

Application No. 1607749

Proceeding ID No. 1494

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Published by

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1 Introduction

1. ATCO Electric Ltd. (ATCO), by Application No. 1607749 registered on October 7, 2011, applied to the Alberta Utilities Commission (AUC or the Commission) on behalf of the Munson Rural Electrification Association Ltd. (Munson REA) for approval of the sale of Munson REA assets and the transfer of its customers to ATCO pursuant to sections 25, 27, 29 and 32 of the *Hydro and Electric Energy Act*.

2. Munson REA is the operator of an electric distribution system in the Munson, Alberta area. The current service area boundary for the Munson REA was approved on September 17, 1975, by way of Approval No. HE 75102.

3. Munson REA held a special general meeting on August 10, 2011, where a quorum of its registered members was present to vote on the proposed sale to ATCO. The members voted in favor of the sale and transfer of the Munson REA electrical facilities and related land rights. The terms and provisions of the sale were outlined in the asset purchase agreement, titled “Memorandum of Agreement” dated August 10, 2011, between Munson REA and ATCO. The effective date of the sale would be February 17, 2012.

4. On August 25, 2011, the Director of Rural Electrification Associations for the province of Alberta approved the resolution of Munson REA dated August 10, 2011 which, among other things, included the transfer of the assets and undertaking of Munson REA to ATCO pursuant to the “Sale of Distribution System and Termination of Services Agreement”.

5. ATCO notified the Commission that Munson REA agreed to sell its undertakings and facilities and to transfer its customers to ATCO. The substance of the agreement is that Munson REA will discontinue the operation of its electrical distribution system after the transfer of the assets and customers to ATCO.

6. The purchase price negotiated between ATCO and the Munson REA was \$1,413,160. The agreement also stipulated that any monies from customer contributions to construction costs of Munson REA would be transferred to ATCO on the closing date.

7. ATCO noted in the application that the sale of the Munson REA was the result of a voting decision by the membership of the Munson REA and was not forecasted in ATCO’s 2011-2012 General Tariff Application.

8. Since the members of the Munson REA voted in favor of the transfer its assets and customers to ATCO and due to the nature of the application, a notice of application was not issued. Therefore, a hearing was not required as the Commission considered that its decision or order would not directly and adversely affect the rights of a person pursuant to Section 9 of the *Alberta Utilities Commission Act*.

2 Findings

9. 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.

10. Since the Munson REA and ATCO have entered into an agreement for sale on a voluntary basis and the Director of Rural Electrification Associations pursuant to *Rural Utilities Act*, the Commission is satisfied that the sale is in the public interest in accordance with Section 32 of the *Hydro and Electric Energy Act*.

11. The terms of the agreement provide for a nominal purchase price of \$1,413,160 for the assets and transfer of the Munson REA's customers to ATCO. In addition, pursuant to clause 5 of Munson REA's and ATCO's Memorandum of Agreement, any customer contributions to cost are to be transferred to ATCO. The Commission is not making any comment on the prudence of the purchase or the values at which the assets are to be incorporated into ATCO's rate base. This prudence review will be a part of ATCO's next annual rates application filing with the Commission.

3 Decision

12. Pursuant to Section 32 of the *Hydro and Electric Energy Act*, the Commission approves the sale of the Munson REA assets and the transfer of its customers to ATCO.

13. Pursuant to Section 30(1) of the *Hydro and Electric Energy Act* the Commission grants the discontinuance of the Munson REA, as set out in the Appendix 1 – Discontinuation of Distribution System – Approval No. U2011-354 – October 27, 2011, to Munson REA (Appendix 1 will be distributed separately).

14. The Commission rescinds REA Approval No. HE 75102 as of 12:00 Noon on February 17, 2012.

Dated on October 27, 2011.

The Alberta Utilities Commission

(original signed by)

Tudor Beattie, QC
Commission Member