



AUC

Alberta Utilities Commission

ATCO Electric Ltd.

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

November 23, 2011

The Alberta Utilities Commission

Decision 2011-460: ATCO Electric Ltd.

Sale and Transfer of Valleyview Rural Electrification Association Ltd.

Application No. 1607878

Proceeding ID No. 1567

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1 Introduction

1. ATCO Electric Ltd. (ATCO), by Application No. 1607878, registered on November 9, 2011, applied to the Alberta Utilities Commission (AUC or the Commission) on behalf of the Valleyview Rural Electrification Association Ltd. (Valleyview REA) for approval to discontinue the operation of Valleyview REA's electrical distribution system pursuant to Section 32 of the *Hydro and Electric Energy Act*.

2 Discussion

2. Valleyview REA is the operator of an electric distribution system in the Valleyview area. The original service area boundary and permit to operate Valleyview REA was approved on November 8, 1977, by way of Approval No. HE 77136. The boundary was amended by Amendment of Approval No. HE 77136A dated March 28, 1979, and Amendment of Approval No. HE 77136B dated November 6, 1980.

3. Valleyview REA held a special general meeting on October 4, 2011, to vote on the sale of its assets to ATCO. A quorum of the registered association members attended the meeting and voted in favor of the sale to ATCO.

4. The director of rural electrification associations for the province of Alberta was apprised of the results of the vote and approved the dissolution of Valleyview REA by Certificate dated October 20, 2011.

5. The terms and provisions of the sale were outlined in the Sale of Distribution and Termination of Services Agreement dated October 4, 2011, between Valleyview REA and ATCO. The effective time and date of the sale is 12 noon MST on May 24, 2012.

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

7. The purchase price negotiated between ATCO and Valleyview REA was \$5,842,574. The agreement also stipulated that customer contributions to construction costs of Valleyview REA will be transferred to ATCO on the closing date.

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. Valleyview REA and ATCO have agreed to the sale and transfer of the Valleyview REA electric distribution system as indicated by the Asset Purchase Agreement. The director of rural electrification associations for the province of Alberta has approved the purchase by ATCO of the Valleyview REA by the authority granted to him pursuant to the *Rural Utilities Act*. Given these facts, the Commission has reviewed the application and is satisfied that the discontinuation of the operation of the Valleyview REA distribution system is in the public interest in accordance with Section 32 of the *Hydro and Electric Energy Act*.

10. The Commission is aware that ATCO may intend to incorporate the purchase price of \$5,842,574 into ATCO's rate base. However, while ATCO and the Valleyview REA have agreed on a purchase price of \$5,842,574 for the assets exchanged, the Commission, at this time, is not making any determination with respect to the prudence of the purchase for the purposes of including that amount in ATCO's rate base. Such a prudence review is normally a part of ATCO's subsequent Phase I Distribution Tariff Application to the Commission.

4 Decision

11. Pursuant to Section 32 of the *Hydro and Electric Energy Act*, the Commission grants the discontinuance of Valleyview REA, as set out in Appendix 1 – Discontinuance of Distribution System – Approval No. U2011-420 – November 23, 2011, to Valleyview REA (Appendix 1 will be distributed separately).

12. The Commission rescinds REA Approval No. HE 77136 as of 12 noon MST on May 24, 2012.

Dated November 23, 2011.

The Alberta Utilities Commission

(original signed by)

Neil Jamieson
Commission Member