



AUC

Alberta Utilities Commission

ATCO Electric Ltd.

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

November 6, 2012

The Alberta Utilities Commission

Decision 2012-296: ATCO Electric Ltd.

Sale and Transfer of Manning Rural Electrification Association Ltd.

Application No. 1608914

Proceeding ID No. 2188

November 6, 2012

Published by

The Alberta Utilities Commission

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1 Introduction

1. ATCO Electric Ltd. (ATCO), by Application No. 1608914, registered on October 17, 2012, applied to the Alberta Utilities Commission (AUC or the Commission) on behalf of the Manning Rural Electrification Association Ltd. (Manning REA or REA) for approval to discontinue the operation of the REA's electrical distribution system pursuant to Section 32 of the *Hydro and Electric Energy Act*.

2 Discussion

2. Manning REA is the operator of an electric distribution system in the Manning area. The original service area boundary in which to operate the REA's electric distribution system was approved on November 8, 1977, by way of Approval No. HE 77132. The boundary was amended by Amendment of Approval No. HE 77132A dated February 29, 1984.

3. Manning REA held a special meeting on April 26, 2012, to vote on the sale of its assets and facilities, and transfer its customers to ATCO. The minutes of the meeting indicated that 297 people attended and voted in favour of the sale to ATCO.

4. The director of REAs for the province of Alberta was apprised of the results of the vote and approved the dissolution of Manning REA by certificate dated September 4, 2012.

5. The terms and provisions of the sale were outlined in the Sale of Distribution and Termination of Services Agreement dated July 27, 2012, between the REA and ATCO. The effective date of the sale would be 12 noon MST on April 5, 2013.

6. The purchase price was \$11,764,347. The agreement also stipulated that customer contributions to construction costs of the REA would be transferred to ATCO on the closing date.

3 Findings

7. 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 an 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.

8. Manning REA and ATCO have agreed to the sale and transfer of the REA's electric distribution system as indicated by the Asset Purchase Agreement. The director of REAs for the province of Alberta has approved the purchase by ATCO of the REA's assets by the authority granted to him pursuant to the *Rural Utilities Act*. The Commission has reviewed the application and is satisfied that the discontinuation of the operation of the Manning REA distribution system is in the public interest in accordance with Section 32 of the *Hydro and Electric Energy Act*.

9. The Commission is aware that ATCO may intend to incorporate the purchase price of \$11,764,347 into ATCO's rate base. However, while ATCO and the Manning REA have agreed on a purchase price of \$11,764,347 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

10. Pursuant to Section 32 of the *Hydro and Electric Energy Act*, the Commission grants the discontinuance of Manning REA, as set out in Appendix 1 – Discontinuance of Distribution System – Approval No. U2012-589 – November 6, 2012, to Manning REA (Appendix 1 will be distributed separately.)

11. The Commission rescinds REA Approval No. HE 77132 as of 12 noon MST on April 5, 2013.

Dated on November 6, 2012.

The Alberta Utilities Commission

(original signed by)

Tudor Beattie, Q.C.
Commission Member