

in exchange for an easement needed for the Terminal-Oquirrh transmission line currently under construction and retaining two other easements for existing facilities at Fountain Green. The Company sought offers for purchase of Fountain Green after a partial roof collapse of the powerhouse in 2011. Since the roof collapse Fountain Green has been non-operational. The other party to this transaction owns a fish hatchery adjacent to the Fountain Green property. This party will include Fountain Green in its fish hatchery operations.

The Company prepared a request for proposal (RFP) sales package and directly distributed it to 23 parties that expressed interest in acquiring Fountain Green. Of the 23 parties that requested and received the initial RFP sales package, 17 completed the non-disclosure agreement and were given access to detailed sales information. Seven parties participated in site inspections, and six parties provided letters of interest. One of the six parties submitted two separate offers for a total of seven offers from six different bidders. Staff has reviewed these offers, but due to confidentiality the names of bidders and bid details are not shared in this report.

Through subsequent negotiations, a transaction to exchange Fountain Green for an easement required for a portion of the Terminal-Oquirrh 345kV transmission line planned for construction in Salt Lake County, Utah, resulted in the execution of an Agreement of Purchase and Sale (Agreement) that according to the Company represents the best cost/risk balance for customers. The Company provided a copy of its analysis comparing the transaction alternative to the restoration alternative and the decommissioning alternative. The Company's analysis regarding the exchange of assets is commercially and competitively sensitive and was provided to Staff under OAR 860-001-0070. Staff has reviewed its analysis and agrees with the Company that the transaction to exchange Fountain Green for an easement for Terminal-Oquirrh represents the least cost/risk to customers.

Absent selling Fountain Green, the Company would review the cost/risk balance of pursuing the more costly decommissioning alternative.

In review of the application, Staff issued seven data requests.

Issues

Staff investigated the following issues:

1. Scope and Terms of the Asset Purchase Agreement
2. Allocation of Gain
3. Public Interest Compliance
4. Records Availability, Audit Provisions, and Reporting Requirements

Scope and Terms of the Asset Purchase Agreement

Staff's review of the Agreement did not identify any unusual or restrictive terms or conditions. PacifiCorp selected the winning bidder through a request for proposal process.

Allocation of Gain

The transaction has value of \$343,858 as determined through the RFP process. However, because this transaction involves an exchange for similar value, it is not anticipated that there will be any proceeds from this transaction. Staff has reviewed a detailed breakout of the transaction which is confidential. To the extent there are any unforeseen proceeds, the portion of such proceeds allocated to Oregon will flow to customers through Schedule 96, the property sales balancing account.

Public Interest Compliance

The Company evaluated several alternatives and provided Staff with detailed analysis showing the least cost/risk option results in selling the Fountain Green Hydroelectric Facility. Additionally, there will be a net zero book loss. The Company will receive an easement required for the new Terminal-Oquirrh transmission line and retain two easements at Fountain Green. In addition, PacifiCorp will no longer be responsible for future maintenance responsibilities at Fountain Green or future liability. Because customers are not harmed by this transaction, Staff concludes that the sale is in the public interest.

Records Availability, Audit Provisions, and Reporting Requirements

Order Conditions Numbers 1 and 2, listed above in the Staff recommendations, afford the Commission necessary examination of PacifiCorp's books and records concerning the sale. Staff notes that the Commission retains the ability to review all property sales of the Company through general rate case filings.

PROPOSED COMMISSION MOTION:

The requested sale of property be approved subject to the two conditions stated in Staff's recommendations in this memorandum.