

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 10, 2015

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: February 23, 2015

TO: Public Utility Commission

FROM: Mitchell Moore *MM*

THROUGH: Jason Eisdorfer *E* and Marc Hellman *MH*

SUBJECT: PACIFICORP: (Docket No. UP 316) Requests approval of sale of property to Draper City, Utah.

**STAFF RECOMMENDATION:**

The Public Utility Commission of Oregon (Commission) should approve the application by PacifiCorp dba Pacific Power (Company) to sell certain property (Property) to the City of Draper City, Utah subject to the following condition:

1. The Company shall notify the Commission in advance of any substantive changes to the transfer of properties, including any material changes in price. Any changes to the agreement terms that alter the intent and extent of activities under the agreement from those approved herein shall be submitted for approval in an application for a supplemental order (or other appropriate form) in this docket.

**DISCUSSION:**

This application was filed on January 30, 2015, pursuant to ORS 757.480(1)(a) and OAR 860-027-0025.

PacifiCorp seeks approval from the Commission for an order authorizing the sale of certain Property located in Draper City, Utah to Draper City for the purpose of constructing a roadway extension project.

The Property supports the Camp Williams-90<sup>th</sup> South 345kV transmission line, and is located parallel to a planned parkway extension, known as the Lone Peak Parkway Extension. Draper City is planning to construct the roadway that will traverse through

certain portions of the Company's transmission corridor. PacifiCorp and Draper City have worked together for several years on the proposed alignment of the roadway in efforts to minimize the impact on the transmission line, and the proposed Property sale was chosen among several other options as the best alternative. The Company states that the sale of the Property will not affect its ability to provide reliable and safe electric service.

The Property was appraised by an independent appraiser holding an MAI designation from the Appraisal Institute. Based on its inspection, the appraiser estimated the Property's value at approximately \$202,000.

The Buyer and the Company have executed an agreement for sale and purchase of the Property, and the agreement is contingent on the Company receiving all necessary regulatory approvals prior to closing. Under the agreement, the Buyer has advanced \$5,000 in earnest money, and will pay the remaining purchase price of \$197,000 on the closing date. The purchase price includes approximately \$4,000 of rent revenue for a temporary construction easement to be used prior to the closing date.

The Purchase Agreement includes the Company retaining a permanent easement to continue using the portions of the Property for operating and maintaining the electrical distribution and transmission lines and related facilities that traverse the Property.

#### Issues

Staff investigated the following issues:

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

#### Scope and Terms of the Asset Purchase Agreement

Staff reviewed the property Purchase Agreement, and the permanent easement, which was included in the Company's filing as Attachment A, as well as the appraisal provided in response to data requests, and did not identify any unusual or restrictive terms or conditions. The purchase order contains the details of the transaction, as well as the accompanying terms and conditions.

#### Transfer Pricing and Allocation of Gain

The Purchase Price of the Property is \$202,000. No expenses associated with selling the Property are recorded. In response to a data request, the Company stated that \$4,000 of the purchase price is for a temporary construction easement to be used by

the City for access to the Property prior to the closing date. As such, \$197,890 is proposed to be recorded as the gain on the property, and the remaining \$4,121 would be recorded in FERC Account 454—Rent from Electric Property:

The Company has agreed to adhere to the Commission's desired treatment of gain/losses on the sale of land for the purposes of the Property Sale. The standard treatment by the Commission for transfer of the benefits of such gains to ratepayers is creation of or addition to a balancing account with interest thereon accruing at the utility's Oregon authorized rate of return until amortized and returned through an approved rate schedule. The Oregon allocation of the gain from this Property sale is \$46,899, which the Company proposes to credit to the FERC Account 254 – Other Regulatory Liabilities.

#### Public Interest Compliance

The Property is required by Draper City for use as additional right-of-way for its parkway extension project. The Buyer is paying the fair market value as determined by an independent appraiser, and the Seller retains a permanent easement to continue using the Property to support its electrical distribution and transmission facilities.

The Commission customarily applies a no harm standard with regard to the public interest compliance of property sales. Because customers will not be harmed by this transaction, Staff concludes that the sale is in the public interest.

#### Records Availability, Audit Provisions, and Reporting Requirements

Staff notes that the Commission retains the ability to review all property sales of the Company through general rate case filings. Staff's recommended condition provides for documentation of this Property sale. The Company has reviewed this memo and has no objections or concerns.

#### **PROPOSED COMMISSION MOTION:**

PacifiCorp's application to sell the Property to Draper City be approved, subject to Staff's recommended condition.