

**PUBLIC UTILITY COMMISSION OF OREGON**  
**INTEROFFICE CORRESPONDENCE**

**DATE:** October 12, 2020

**TO:** John Crider and Matt Muldoon

**FROM:** Kathy Zarate

**SUBJECT:** PACIFIC POWER:  
(Docket No. UPN 101)  
Notice of Property Disposition – Lease.

**DISCUSSION:**

In December 11, 2019, Pacific Power (PacifiCorp or Company) filed a notice of property disposition pursuant to ORS 757.480(2). This notice involves a lease agreement (Lease) between PacifiCorp and Manheim Remarketing, Inc. (Manheim), allowing Manheim to utilize the Company's transmission land located in Davis County, Utah (Premises), for temporary motor vehicle storage. In accordance with the terms of the Lease, Manheim will pay PacifiCorp \$3,183.70 per month for the first year of the Lease and \$3,278.56 per month for the second year. Manheim has the option to extend the Lease for two additional two-year terms, with annual increases of three percent per year.

PacifiCorp determined the value of the Agreement by multiplying the area of land (approximately 466,963 square feet) by the land value (\$2.34 per square foot), then reducing the result by a lease restriction of 50 percent, and discounting the total by the rate of return. According to Company responses to Staff Information request No.1 a seven percent rate of return was applied. The negotiated result for the annual lease amount of \$38,196.87 was calculated using the following equation.

$$(466,963 \times \$2.34) \times 50\% \times 7\% = \$38,244.27$$

Negotiated to \$38,196.87 annually, or \$3,183.07 monthly.<sup>1</sup>

The total compensation agreed to for the Lease was \$77,539.64 for the full two-year term, on a total company basis, of which approximately \$20,200 is allocated to Oregon. Providing the Lease to Manheim will not interfere with PacifiCorp's ability to operate its facilities or impede access to the company's property. The public is not harmed because PacifiCorp will continue to be able to fulfill its obligation to provide safe, reliable electric service.

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<sup>1</sup> See Company responses to OPUC Information request No. 1.

Consequently, Terms of the Agreement require that the Lessee shall not use the interior of any area as a “Non-Use Area” for storage and Lessee shall keep the Non-Use Areas clear at all times. The approximate 10.72-acre property will continue to be used for temporary motor vehicle storage in conjunction with the Lessee’s auto auction business located adjacent to the premises and for no other purpose.<sup>2</sup>

In addition, this lease agreement filing does not represent assets being sold. Therefore, there is no gain or loss to be recorded in Oregon’s property balance account – nevertheless, it is recorded in FERC account 172 as “Rents Receivable.”<sup>3</sup>

Based upon Staff’s review, including the responses from the Company to Staff’s eight requests for information, Staff concludes that the lease between the Company and Manheim Remarketing, Inc. (Manheim) and its price are reasonable. The public is not harmed, in part because the Company will continue to be able to fulfill its obligation to provide safe, reliable electric utility service.

**STAFF RECOMMENDATION:**

Staff determined that the public is not harmed by this transaction because:

1. PacifiCorp’s ability to use the property is not impeded or impaired, therefore the Company’s ability to provide reliable electric utility service is not harmed;
2. The Company is generating revenue from property that would otherwise sit vacant, and;
3. Manheim<sup>4</sup> is responsible for the upkeep of the property, so the PacifiCorp’s operations and maintenance expenses are reduced.

Staff recommends this docket be closed with no further action.

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<sup>2</sup> See *Company responses to OPUC Information request No. 4.*

<sup>3</sup> See *Company responses to OPUC Information request No. 7.*

<sup>4</sup> See *Attachment A.*