

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 30, 2014

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: September 10, 2014

TO: Public Utility Commission

FROM: ^{RF} Robert Fonner and ^{BS} Brian Bahr

THROUGH: ^F Jason Eisdorfer and ^{AA} Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 307) Requests approval of the sale of a property located in the city of Portland, Multnomah County, Oregon to Bridge Meadows.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve the application by Portland General Electric Company (PGE or Company) to sell the property located at 8710 North Dana Avenue, Portland, Oregon (Property), subject to the following conditions:

1. The Company shall notify the Commission in advance of any substantive changes to the transfer of the Property, 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.
2. The final journal entry recording the transaction shall be submitted to the Commission within 60 days after the transaction closes (Closing).

DISCUSSION:

This application was filed on August 5, 2014, pursuant to ORS 757.480 and OAR 860-027-0025. The Company seeks a Commission order approving the sale of 14,450 square feet of vacant land at street address 8710 N. Dana Avenue, Portland, Oregon. Specifically, the Property comprises lots 25-30, Block 174, in the University Park Neighborhood. The Property is zoned for residential development. The Company

purchased the entire Property for \$4,723 (Original Cost) in 1950 to house an electric power substation. However, after expanding the Alder substation at another location, the Company determined that the Property was no longer necessary or useful for fulfilling PGE's duties to the public. The Property was subsequently cleared of all utility power substation equipment. PGE officially decommissioned the Property in July 2012 and received the final clean up report for the Property in October 2013.

An independent appraiser holding a MAI designation from the Appraisal Institute appraised the property based on an exterior inspection and analysis of general market conditions in November 2013. The appraiser estimated the Property's value at \$270,000.

The company solicited offers by listing the Property with a real estate broker. The broker advertised through customary channels, including a Regional Multiple Listing Service (RMLS) listing and physical signage at the Property. In all, nine potential buyers submitted 14 offers for the property ranging from \$270,000 to \$457,500. The successful offer was made by Bridge Meadows (Buyer). The Buyer and the Company executed a Purchase and Sale Agreement (Agreement) with Closing contingent upon approval by the Commission. Under the Agreement, the Buyer will pay the Company \$457,000 (Purchase Price) in cash at Closing. Staff's review of the Company's proposed property sale included an informal phone conversation and seven questions submitted to the Company in formal data requests.

Issues

Staff investigated the following issues:

1. Scope and Terms of the Purchase and Sale 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

There do not appear to be any unusual or restrictive terms to the Agreement based on Staff's analysis of the Purchase and Sale Agreement and associated documents. One stipulation in the Agreement is that at Closing, the Purchaser shall receive a credit against the Purchase Price equal to three percent of the Purchase Price. This amount is counted towards the Company's Closing costs. Upon completion of the sale, the Buyer will incur an estimated \$2,000 in closing costs and the Company will incur an estimated \$27,450 in closing costs. The Buyer will not pay broker or commission fees because they did not hire a broker. The Buyer has completed the Purchaser's environmental

inspection of the Property and has waived Buyer's inspection period and Buyer's right to terminate the Agreement pursuant to Section 5.1 of the Agreement.

Allocation of Gain

The Purchase Price of the Property is \$457,000. Estimated selling expenses to the Company total \$100,506. These expenses include \$27,450 in closing costs, \$2,446 in legal expenses, and \$70,610 in site cleanup and environmental testing costs. The transaction will also lead to retirement of the Original Cost from PGE plant records, resulting in a \$4,723 reduction in the balance in FERC Account 360 – Land and Land Rights. In total, the gain on sale realized by the Company is approximately \$352,271.

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. Staff recommends the gain be treated in this manner by the Company.

Public Interest Compliance

PGE's sale of the land and building is in the public interest (customarily a no harm standard applied by the Commission) pursuant to ORS 757.480 because the property is no longer necessary for serving PGE's duty to the public. As a result, Oregon rate base will decrease by a net amount of \$4,723, the Original Cost. Additionally, the Company will save on annual expenses associated with the Property. Because there is no harm to Oregon customers and there is a precedent with the Commission for approving requests similar to this, 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 PGE's books and records concerning the sale.

The Company has reviewed this memorandum and has no objections or concerns.

PROPOSED COMMISSION MOTION:

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