

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 12, 2014

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: November 4, 2014

TO: Public Utility Commission

FROM: Linnea Wittekind 

THROUGH: Jason Eisdorfer and Marc Hellman  

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 309) Application for the Sale and Purchase of Property.

STAFF RECOMMENDATION:

The Public Utility Commission (Commission) should approve the application by Portland General Electric (PGE) and Idaho Power Company (Idaho Power) together referred to as Parties to: (1) the sale of a partial interest in certain Idaho Power properties by Idaho Power at the Boardman Power Plant (Boardman); and, (2) the purchase by PGE of such property interests, subject to the following conditions:

1. Parties shall notify the Commission in advance of any substantive change to this sale, 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. Parties shall submit the final journal entries recording the transaction, including the recording of the gain, to the Commission with the appropriate semi-annual report.

DISCUSSION:

This application was filed on August 19, 2014, pursuant to ORS 757.480 and OAR 860-027-0025.

Idaho Power is seeking approval for the sale of a portion of Idaho Power's partial ownership of certain facilities at Boardman. PGE is seeking approval for the purchase

of said properties. Power Resources Cooperative (PRC), Idaho Power and PGE entered into an agreement for Construction, Ownership and Operation of the Number One Boardman Station on Carty Reservoir on October 15, 1976¹ (Ownership Agreement). As of the date of this application, PGE owns an 80 percent interest in Boardman while PRC and Idaho Power each have a 10 percent ownership.

As allowed under Section 19 of the Ownership Agreement, PGE is constructing a new power generating unit (Carty Project) on the Carty Reservoir and has entered into an Asset Purchase Agreement with PRC and Idaho Power. The Asset Purchase Agreement will provide for the conveyance and sale from Idaho Power to PGE of a partial interest in certain Boardman components and common facilities necessary or convenient to the operation of the Carty Generation Station, collectively referred to as Shared Facilities.

Based on Staff analysis, the sale by Idaho Power and the conveyance to PGE will not adversely affect either Company or respective customers. PGE's acquisition of the Shared Facilities will avoid the construction of duplicate facilities and enable the utilization of existing facilities for a cost that is lower than construction. The purchase of these assets is the least cost, least risk option for PGE and its customers.

As for Idaho Power, the Asset Purchase Agreement specifies that the ownership interest grant by Idaho Power in the Shared Facilities will not diminish its rights to the output and capacity of Boardman, including without limitation, the Boardman-Slatt transmission line and the Boardman-Dalreed transmission line connected with Boardman. Because the conveyance reduces Idaho Power's ownership share in the Shared Facilities, it will also reduce the amount of Idaho Power's obligation in future capital investments and operation and maintenance costs of these Shared Facilities. In addition, Idaho Power received compensation for its grant of ownership interest in the Shared Facilities.

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

¹ Most recently amended on April 14, 2014 as the Seventh Amendment.

Scope and Terms of the Asset Purchase Agreement

The sale and the purchase of the Shared Facilities at Boardman are pursuant to the Ownership Agreement. Under the terms of the Asset Purchase Agreement, Idaho Power and PRC will sell 50 percent of their respective interests in the Shared Facilities at cost to PGE. Idaho Power and PGE have agreed upon appropriate methodologies for determining the fair market value of the various components of the Shared Facilities, as set forth in the Asset Purchase Agreement. The purchase price of Idaho Power's portion of the Shared Facilities is \$620,205. The details of the purchase price for the various components of the Shared Facilities are as follows:

Asset Description	Allocable Share to Idaho Power
Shared Facilities:	
Carty Reservoir	\$489,365
Columbia River Intake	\$40,580
Existing Water Intake Structure	\$745
Potable Water System	\$12,295
Tower Road Rights	\$22,245
Wastewater Ponds	\$12,325
Communications Equipment Housing	\$42,580
Plant Real Property Easement	\$70
Total	\$620,205

The cost to operate and maintain the Shared Facilities used for the benefit of both Boardman and Carty Generating Station will be divided on the basis of use. The parties agree to an initial allocation of \$2,500 from the Carty Generating Station to Idaho Power for the annual operating and maintenance costs of the Shared Facilities. This amount will increase by \$500 January 1 of each year thereafter. In addition, the cost of capital additions to the Shared Facilities will be allocated based on the ownership percentages of the Shared Facilities: PGE at 90 percent, Idaho Power at 5 percent, and PRC at 5 percent.

Allocation of Gain

The sale by Idaho Power of the Shared Facilities to PGE will result in a gain on a total system basis of \$264,060. Because Idaho Power has a balancing account in effect that is tracking the difference between actual revenues and the revenue requirement resulting from the early shutdown of Boardman, Idaho Power views the Boardman Balancing Account as the appropriate mechanism for recording the gain. Staff agrees with this treatment of the gain of which \$11,500 is allocable to Oregon.

Public Interest Compliance

The sale by Idaho Power and the purchase by PGE of 50 percent of Idaho Power's interest in the Shared Facilities is consistent with the public interest. The Shared Facilities have enough capacity to supply both Boardman and PGE's Carty Generating Station and are provided for under the Boardman Ownership Agreement. In addition it will help PGE avoid unnecessary duplication of facilities and in doing so will provide a lower cost alternative to PGE's customers. Idaho Power on a total system basis will receive \$264,060 as a gain on the sale which will be shared with its customers through the Company's balancing account.

Records Availability, Audit Provisions, and Reporting Requirements

Condition Numbers 1, and 2 listed in the Staff recommendations afford the necessary Commission examination of PGE's books and records concerning the sale. Condition Number 2 is a post-sale condition. Both PGE and Idaho Power have reviewed this memo and have no objections or concerns.

PROPOSED COMMISSION MOTION:

PGE's purchase and Idaho Power's sale of a partial interest in Idaho Power properties, be approved subject to the two conditions stated in Staff's recommendations in the memorandum.