

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: January 28, 2015

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

DATE: January 20, 2015

TO: Public Utility Commission

FROM: Linnea Wittekind *LW*

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

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 313) Requests approval of the sale of a property located in the City of Portland, Multnomah County, Oregon to Blake Thrasher.

**STAFF RECOMMENDATION:**

The Oregon Public Utility Commission (Commission) should approve the application by Portland General Electric Company (PGE or Company) to sell the property located at 3223 SE Yamhill, 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.

**DISCUSSION:**

This application was filed on December 3, 2014, pursuant to ORS 757.480 and OAR 860-027-0025.

PGE purchased the Property in 1976 with plans to expand the Alder Substation located directly to the north of the Property. Between 2010 and 2011, PGE rebuilt the substation using improved technology, which required substantially less space.

According to PGE, due to these circumstances the Company no longer needs the Property for utility purposes.

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 August 2014. The appraiser estimated the Property's value at \$345,000.

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 listing and physical signage at the Property. In all, three potential buyers submitted four offers for the property ranging from \$340,000 to \$345,000. The successful offer was made by Blake Thrasher (Buyer). The Buyer and the Company executed a "Residential Real Estate Agreement and Addendum" (Agreement) with closing contingent upon approval by the Commission and the Buyer's financing. Under the Agreement, the Buyer has advanced \$3,000 in earnest money and will pay the remaining down payment of \$27,000 on or before closing as well as the remaining purchase price of \$315,000 for a total sum paid to PGE of \$345,000. Staff's review of the Company's proposed property sale included four multi-part 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 it and the associated documents. Based on an independent third-party appraisal, the market value of this property is \$345,000. PGE issued a solicitation for bids for the Property. PGE selected a bid from an unrelated third party of \$345,000.

#### Allocation of Gain

The purchase price of the Property is \$345,000. Estimated selling expenses to the Company total \$82,997.08. These expenses include \$34,500 in closing costs, \$20,700 in sales commission, \$997 in legal expenses, and \$26,800 in expected labor costs for outside legal counsel and environmental testing. In total, the gain on sale realized by the Company is approximately \$241,646.

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 PGE to fulfill its duty to provide adequate service to the public at fair and reasonable rates. 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 set forth in the Recommendation section of this memorandum.