

ITEM NO. CA15

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 15, 2015

REGULAR _____ CONSENT EFFECTIVE DATE _____

DATE: December 1, 2015

TO: Public Utility Commission

FROM: Scott Gibbens *SG*

THROUGH: Jason Eisdorfer and Marc Hellman *JH*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 331) Requests approval of sale of property in Newberg to ODOT.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve the property sale by Portland General Electric (PGE) to the Oregon Department of Transportation (ODOT).

ISSUE:

Whether the Commission should approve the sale of a portion of PGE's property to ODOT for the purposes of widening Wilsonville Rd. in Newberg, OR.

Applicable Law:

Under ORS 757.480(1):

- A public utility doing business in Oregon shall not, without first obtaining the public utility commission's approval of such transaction:
- (a) Except as provided in subsection (5) of this section, sell, lease, assign or otherwise dispose of the whole of the property of such public utility necessary or useful in the performance of its duties to the public or any part thereof of a value in excess of \$100,000.

OAR 860-027-0025 lists the requirements for applications seeking the authority under ORS 757.480. OAR 860-027-0025 (1)(l) states that the applicant must show that the property sale will be consistent with the public interest.

ANALYSIS:

PGE owns Springbrook Substation located in the city of Newberg, Oregon. Springbrook sits on approximately 2.94 acres of land. The property (Yamhill County Tax Lot 2101) was purchased by PGE in 1997 for \$232,588. In 1999, \$82,845 was spent by PGE on the property for improvements, resulting in a total book cost of \$315,433. The property contains land, a fence, and power substation.

ODOT desires to buy a 21,300 sq. ft. portion (parcel) of the property as part of ODOT's planned Highway 99W Newberg-Dundee Bypass. The parcel runs adjacent to Wilsonville Rd. which ODOT plans to widen as part of the project. The parcel does not contain any portion of the fence or power substation and PGE does not believe that this sale will impact the utility operations at this site. An MAI appraiser inspected the property and estimated the value of the parcel to be \$151,700. PGE and ODOT have agreed in principle to a sale price equivalent to the appraiser's estimation.

The book cost of the parcel is \$52,940, equivalent to approximately 17 percent of the total book cost of Yamhill County Tax Lot 2101. The percentage was derived from the ratio of the parcel size to the total tax lot. The selling expenses are \$15,170, which is an estimate to cover environmental, legal, and miscellaneous expenses. The resulting gain from the sale is \$84,040.

Staff reviewed the customer application and exhibits, previous Commission decisions on property sale filings, as well as responses to four Staff information requests in order to conduct the analysis. Staff finds the proposed property sale meets the criteria set forth in OAR 860-027-0025.

Staff investigated the transaction to ensure that the transaction was in the public interest. Springbrook Substation has no current or expected plans for expansion. The facility's age and load factor of 56 percent lead Staff to believe that it can continue to operate in its current location and in its current state well into the future. The sale of the parcel would not affect PGE's ability to provide safe and reliable power from this location. PGE may incur collateral costs associated with the removal and relocation of poles and wires; however ODOT has agreed to reimburse PGE for any expenses incurred.

Staff believes that the purchase price and selling expense are reasonable and fair. The realized rate of return for rate payers is approximately 13 percent annually, roughly double the S&P 500 index over the same time period. Selling expenses are 10 percent

of the total sale price and are reasonable and commensurate with previous property sale filings.

PGE has agreed to adhere to the Commission's desired treatment of the gains on the sale of land for this parcel. Staff recommends utilizing the standard treatment for gains used in previous property sale filings. The funds should be credited to FERC Account 254 – Deferred gain on property sale. The funds would then accrue interest at the utility's authorized rate of return until amortized and returned through an approved rate schedule.

Staff believes that the sale of this property from PGE to ODOT is in the public interest. No hidden or exorbitant expenses were identified. It will not affect PGE's ability to serve customers in a safe and reliable manner and will result in a return for rate payers.

The Company was provided a draft copy of this memo and has no concerns.

PROPOSED COMMISSION MOTION:

PGE's application to sell to ODOT a 21,300 sq. ft. portion of its property as part of ODOT's planned Highway 99W Newberg-Dundee Bypass be approved.