

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 27, 2018

REGULAR CONSENT EFFECTIVE DATE April 1, 2018

DATE: February 5, 2018

TO: Public Utility Commission

FROM: Ming Peng *mp.* *su*

THROUGH: Jason Eisdorfer and John Crider

SUBJECT: PACIFICORP: (Docket No. UP 364) Requests Approval of an Amended Lease Agreement with Verizon Wireless.

STAFF RECOMMENDATION:

I recommend the Commission approve Pacific Power's (PacifiCorp or Company) application for approval of an Amended Lease Agreement with Verizon Wireless.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's application to amend Lease Agreement (Agreement) with Verizon Wireless (Verizon) to provide Verizon with the option to six additional five-year renewal terms, beyond the existing contract renewal terms that can go no longer than 2034.

Applicable Rule or Law

ORS 757.480(1)(a) requires Commission approval for sales of property necessary and useful in the performance of public service with a value in excess of \$100,000.

OAR 860-027-0025(1)(l) requires that the utility show that such a proposed sale is "consistent with the public interest."

OAR 860-001-0070 Confidential Information. "This rule applies to information submitted under a claim of confidentiality under the Public Records Law,"

Analysis

Background

On February 2, 2018, PacifiCorp filed application for Approval of an Amended Lease Agreement with Verizon Wireless.

This transaction involves the lease of certain PacifiCorp real property that supports the Taylorsville Substation¹ in Salt Lake County, Utah. PacifiCorp and Verizon Wireless entered into the current Lease Agreement (Lease Agreement) 2014. The lease is for a 32 x 33 foot "ground space" in the back corner that is fenced out of the substation fence area. There are no PacifiCorp facilities inside the 32 x 33 foot plot.

Verizon Wireless leases the Company Property for the operation of certain communication equipment and facilities, including an antenna support structure, used in the connection with its business operations. Verizon Wireless has leased the Company Property since September 2014 without incident

The Lease Agreement has an initial term of five years from the commencement date of September 22, 2014, and Verizon has the right to extend the term for three successive five-year terms on the same terms and conditions. If Verizon Wireless exercises all renewal options contained in the Lease Agreement, the Lease Agreement would expire on September 21, 2034.

Verizon Wireless approached PacifiCorp to request an amendment to the Lease Agreement that would allow Verizon Wireless the option to extend the lease for six additional five-year renewal terms, beyond the existing renewal terms, which means the total years of combined contracts would be 50 years from 2014. The applicable book value of the Company Property included in FERC Account 35010 (transmission lands) is \$70,318.

PacifiCorp now seeks approval of an Amended Lease Agreement that would provide Verizon the option to extend the lease for six additional five-year renewal terms.

Use of Proceeds

PacifiCorp states that "The revenue received from this lease agreement is credited to FERC account 454, Rent from Electric Property. As described in the FERC Code of Federal Regulations, "this account shall include rents received for the use by others of land," Internally, the account used is 301872, "Rent Revenue -Transmission.""

¹ A substation is a part of an electrical generation, transmission, and distribution system. Substations transform voltage from high to low, or the reverse, or perform any of several other important functions.

Operational Risks

PacifiCorp states that “This use will not interfere with PacifiCorp’s operation and maintenance of the Taylorsville Substation.” “The Company has the ability to terminate the lease in the event Lessee is unable to cure any interference issues or other lease defaults.”

Not Contrary To the Public Interest Standard

OAR 860-027-0025(1)(l) requires that the utility show that such a proposed sale is “consistent with the public interest.” The Commission has previously held that this standard requires only a “no harm” showing. The proposed transaction will not harm customers. The portion of the Company Property occupied by Verizon Wireless does not contain PacifiCorp substation facilities or assets, and PacifiCorp maintains access to its substation facilities. Additionally, Verizon Wireless’ use will not interfere with PacifiCorp’s ability to operate and maintain the Taylorsville Substation.

Conclusion

Based on the review of this application, Staff concludes that the Amended Lease Agreement will not harm PacifiCorp’s customers and is consistent with the public interest. Notably, the Commission’s approval of this sale under ORS 757.480(1)(a) does not relieve the Commission of its authority to review use of proceeds in tariff schedule, amortization or depreciation book reserve in rate base, and other financial records for reasonableness of this sale in the next rate proceeding.

PROPOSED COMMISSION MOTION:

Pacific Power’s application for approval of Amended Lease Agreement with Verizon Wireless, be approved.