

ORDER NO. 15 071

ENTERED MAR 10 2015

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 312

In the Matter of

PACIFICORP, dba PACIFIC POWER,

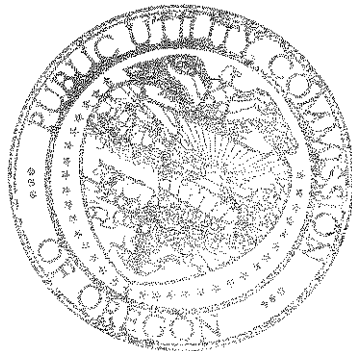
Application for an Order Approving the Sale
of Fountain Green Hydroelectric Generation
Facility.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on March 10, 2015, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

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ITEM NO. CA4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 10, 2015**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: March 1, 2015

TO: Public Utility Commission

FROM: Linnea Wittekind 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PACIFICORP: (Docket No. UP 312) Requests approval of the sale of Fountain Green Hydroelectric Generation Facility.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve the application by Pacific Power (PacifiCorp or Company) to sell the Fountain Green Hydroelectric Facility, subject to the following condition:

1. PacifiCorp 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. PacifiCorp shall submit the final journal entry recording the transaction to the Commission with the appropriate semi-annual report.

DISCUSSION:

PacifiCorp filed this application on November 10, 2014, pursuant to ORS 757.480 and OAR 860-027-0025.

PacifiCorp is requesting approval from the Commission for an order authorizing the sale of Fountain Green Hydroelectric Facility (Fountain Green) located near the city limits of Fountain Green, Utah. Fountain Green consists of a one-unit generator rated at 160 kilowatts (kW). The sale of Fountain Green would include the hydroelectric plant, certain real property and water rights as well as payment for certain administrative fees

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in exchange for an easement needed for the Terminal-Oquirrh transmission line currently under construction and retaining two other easements for existing facilities at Fountain Green. The Company sought offers for purchase of Fountain Green after a partial roof collapse of the powerhouse in 2011. Since the roof collapse Fountain Green has been non-operational. The other party to this transaction owns a fish hatchery adjacent to the Fountain Green property. This party will include Fountain Green in its fish hatchery operations.

The Company prepared a request for proposal (RFP) sales package and directly distributed it to 23 parties that expressed interest in acquiring Fountain Green. Of the 23 parties that requested and received the initial RFP sales package, 17 completed the non-disclosure agreement and were given access to detailed sales information. Seven parties participated in site inspections, and six parties provided letters of interest. One of the six parties submitted two separate offers for a total of seven offers from six different bidders. Staff has reviewed these offers, but due to confidentiality the names of bidders and bid details are not shared in this report.

Through subsequent negotiations, a transaction to exchange Fountain Green for an easement required for a portion of the Terminal-Oquirrh 345kV transmission line planned for construction in Salt Lake County, Utah, resulted in the execution of an Agreement of Purchase and Sale (Agreement) that according to the Company represents the best cost/risk balance for customers. The Company provided a copy of its analysis comparing the transaction alternative to the restoration alternative and the decommissioning alternative. The Company's analysis regarding the exchange of assets is commercially and competitively sensitive and was provided to Staff under OAR 860-001-0070. Staff has reviewed its analysis and agrees with the Company that the transaction to exchange Fountain Green for an easement for Terminal-Oquirrh represents the least cost/risk to customers.

Absent selling Fountain Green, the Company would review the cost/risk balance of pursuing the more costly decommissioning alternative.

In review of the application, Staff issued seven data requests.

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

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Scope and Terms of the Asset Purchase Agreement

Staff's review of the Agreement did not identify any unusual or restrictive terms or conditions. PacifiCorp selected the winning bidder through a request for proposal process.

Allocation of Gain

The transaction has value of \$343,858 as determined through the RFP process. However, because this transaction involves an exchange for similar value, it is not anticipated that there will be any proceeds from this transaction. Staff has reviewed a detailed breakout of the transaction which is confidential. To the extent there are any unforeseen proceeds, the portion of such proceeds allocated to Oregon will flow to customers through Schedule 96, the property sales balancing account.

Public Interest Compliance

The Company evaluated several alternatives and provided Staff with detailed analysis showing the least cost/risk option results in selling the Fountain Green Hydroelectric Facility. Additionally, there will be a net zero book loss. The Company will receive an easement required for the new Terminal-Oquirrh transmission line and retain two easements at Fountain Green. In addition, PacifiCorp will no longer be responsible for future maintenance responsibilities at Fountain Green or future liability. Because customers are not harmed by this transaction, 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 PacifiCorp's books and records concerning the sale. Staff notes that the Commission retains the ability to review all property sales of the Company through general rate case filings.

PROPOSED COMMISSION MOTION:

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

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