ITEM NO. CA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 5, 2016

REGULAR ____ **CONSENT** _X_ **EFFECTIVE DATE** ______ **N/A** ______

DATE: March 28, 2016

TO: Public Utility Commission

FROM: Max St. Brown MSB

THROUGH: Jason Eisdorfer and Marc Hellman

SUBJECT: PACIFICORP: (Docket No. UP 332) Requests approval of the sale of Certain Property in Salt Lake City, Utah to the Salt Lake City Corp.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve the application (Application) by PacifiCorp (PAC or Company) to sell a portion of three parcels of land located in Utah (Property) and two-year right of temporary access easements over two portions of land (Easements), subject to the following conditions:

1. The Company shall notify the Commission in advance of any substantive changes to the transfer of the Property or Easements, 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.

ISSUE:

Whether the Commission should approve PacifiCorp's application to sell a portion of three parcels of land in Utah and two-year easements over two portions of land to a municipal corporation for a road-widening project.

APPLICABLE LAW:

ORS 757.480 and OAR 860-027-0025 are the laws governing the sale or lease of utility property. ORS 757.480 provides that a utility shall obtain the Commission's approval prior to selling or leasing property used to provide utility service.
OAR 860-027-0025(1)(l) requires the applicant to show that the property sale will be consistent with the public interest. The Commission has interpreted the phrase "consistent with the public interest" to require a showing of "no harm to the public" in asset sale dockets. *See, e.g., In the Matter of the Application of PacifiCorp, Order No. 00-112 at 6 (2000)*; *In the Matter of the Application of Portland General Electric, Order No. 99-730 at 7 (1999).*

DISCUSSION AND ANALYSIS:

On November 12, 2015, PAC filed an application for Commission approval of the sale of approximately one acre of land in Salt Lake City, Utah and two temporary access easements. The Salt Lake City Corporation (Buyer) is a municipal corporation that intends to acquire the property in order to facilitate widening and improving an adjacent road. The easements are necessary for the road-widening project.

Specifically, the Property is comprised of portions of the following parcels: Parcel 048 (sale of 7,569 square feet); Parcel 073 (sale of 18,521 square feet); and Parcel 078 (sale of 23,120 square feet).[1] And the Easements grant a two-year right of temporary access over portions of Parcel 073 (encompassing 12,175 square feet), and Parcel 078 (encompassing 17,180 square feet).[2]

Staff issued seven information requests (IRs) inquiring about the Application. Staff spoke with representatives of the Company, resulting in the Company filing a supplemental response to Staff IR 1 and a revised response to Staff IR 7. The supplemental and revised responses describe the Company's portion of Oregon-allocated closing costs. The result of the revision is to reduce the Oregon-allocated net proceeds that will flow to customers through Schedule 96, the property sales balancing account, by approximately $612. Thus, approximate Oregon-allocated net proceeds of the sale are $48,460, which is a revision to the $49,073 figure provided on page two of the Application.[3]

[1] *See* Page 1 of Docket UP 332 Application.
[2] *Ibid.*
[3] See 1st Supplemental Response to OPUC IR 1, attached as Attachment 1.

Issues
Staff analysis included consideration of the following issues to determine whether approval of this sale is consistent with the public interest:

1. Scope and Terms of the Purchase and Sale Agreement
2. Allocation of Gain
3. General Public Interest Compliance

Scope and Terms of the Asset Purchase Agreement
Due to the Buyer's prior interest, a fair market value of the property on Parcel 048 was obtained in 2011 based on comparable properties in the area. A fair market value of the property and easements on Parcels 073 and 078 was determined more recently, in 2014, through a broker's appraisal. Staff reviewed the appraisal workpapers, obtained through an information request, and finds the broker's approach to compare the price of recent and similar land sales to be reasonable for this property. The broker's approach included an on-site inspection of portions of the property. While it is common to consider the appraisal values of multiple brokers, Staff does not disagree with PAC's approach to use a single set of appraisals for this property; this can reduce transaction costs as a percentage of purchase price. The purchase price is based on the fair market value.

There does not appear to be any unusual or restrictive terms to the Agreement based on Staff's analysis of the Agreement for Sale and Purchase of Real Property (Agreement) and associated documents. Notably, certain facilities for the provision of electric service cross the sale property. Article 4 of the Agreement includes the protection that PAC can use the property after the closing date through an easement granted by the Buyer.

Allocation of Gain
On March 17, 2016, the Company provided a supplement to Staff IR 1, which includes workpapers computing the net proceeds of the sale, updated to reflect the Company's anticipated closing costs. Staff has reviewed the workpapers and associated formulas and agrees with the Company's approximation of the Oregon-allocated net proceeds of the sale.

The revenue from the Easements are to be credited to FERC Account 454.1, Rent Revenue – Transmission. The gain on the sale of the Property will be recorded as a credit in FERC Account 421.1, Gain on Sale. The Oregon-allocated gains of approximately $48,460 will be debited from the same account (FERC 421.1) and will flow to ratepayers through Schedule 96, the property sales balancing account.

Public Interest Compliance
Staff does not anticipate this sale hindering PAC's ability to perform any service as a public utility. The Company's use of the property will not be affected by the sale because the Existing Facilities will be relocated at the expense of the Buyer. Additionally, PacifiCorp will retain easements for any utility facilities located within the property sold to the Buyer.

Because the proposed sale has yet to close, Staff recommends two conditions on the approval of this sale that will provide the Commission with necessary information. First, the Commission should be notified of any substantive changes to the agreement, including material changes in price. Any of those changes that alter the intent or scope of activity under the agreement should be submitted for approval. Second, Staff recommends that the Commission require the Company to submit the final journal entry recording the transaction to the Commission within 60 days after the transaction closes.

CONCLUSION:

Staff finds approval of the sale to be consistent with the public interest and recommends the Commission approved the proposed sale of Property and Easements subject to the two conditions prescribing terms for additional reporting and approval as recommended by Staff above.

The Company has had the opportunity to review this memorandum and has stated no objections.

PROPOSED COMMISSION MOTION:

Approve the sale of Property and Easements as described in the Company's Application, subject to the two conditions recommended by Staff.

Attachment 1

UP 332/PacifiCorp
March 17, 2016
OPUC Data Request 1 – 1st Supplemental

OPUC Data Request 1

Page 2 of the initially-filed application states, "Oregon-allocated net proceeds in the amount of approximately $49,073 will flow to customers through Schedule 96, the property sales balancing account." Please provide all workpapers in support of the computation of $49,073.

1st Supplemental Response to OPUC Data Request 1

In the response to OPUC Data Request 7, the Company stated that its portion of the costs associated with title and closing (approximately $2,400) will be taken out of the proceeds at closing thereby reducing the Oregon-allocated net proceeds. Please refer to Attachment OPUC 1 1st Supplemental for updated workpapers reflecting this reduction in the Oregon allocated net proceeds.

SALE OF PARCELS UTSL-0048; UTSL-0054; UTSL-0608 TO SALT LAKE CITY

All 3 assets have been in Electic Plant in Service since inception

ASSET NO	G/L ACCT/CLASS	DEBIT	CREDIT	FERC ACCT	DESCRIPTION
	140109	190,817.00			Proceeds (net of closing costs)(1)
303949	140100/35010		797.03	101	Electric Plant in Service
300992	140100/35010		70.46	101	Electric Plant in Service
300991	140100/35010		10.67	101	Electric Plant in Service
	554000		189,938.84	421.1	Gain on Sale
	554000	48,460.35		421.1	Transfer % of Gain to OBA (2)
	288114		48,460.35	254	Oregon Balancing Account (OBA) (2)

TEMPORARY EASEMENTS

ASSET NO	G/L ACCT/CLASS	DEBIT	CREDIT	FERC ACCT	DESCRIPTION
	140109	17,662.00			Proceeds
	301872		17,662.00	454.1	Rent Revenue - Transmission

(1) The Company's portion of the costs associated with title and closis is estimated to be approximately $2,400.

(2) OREGON BALANCING ACCOUNT CALCULATION	
Total Gain	189,938.84
Oregon Allocation %	25.51%
Portion to transfer to Oregon Balancing Account	48,460.35