

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 23, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: February 9, 2016

TO: Public Utility Commission

FROM: ^{SG} Scott Gibbens 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: IDAHO POWER COMPANY: (Docket No. UP 335) Requests approval of sale of property to Ada County Highway District.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve the property sale of land in Boise, Idaho, by Idaho Power Company (IPC or Company) to the Ada County Highway District (ACHD) subject to the following conditions:

1. Company shall notify the Commission in advance of any substantive changes to the transfer of properties, 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.
3. The Commission reserves the right to review for reasonableness all financial aspects of this transaction in any rate proceeding or earnings review under an alternate form of regulation.

ISSUE:

Whether the Commission should approve the sale of a portion of IPC's property to ACHD for a road widening project at the intersection of Five Mile Road and Franklin Road in Boise, Idaho.

APPLICABLE RULES AND LAWS:

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, [. . .].

In support of a request for approval of a property sale, the utility must provide the information and documentation listed in OAR 860-027-0025. OAR 860-027-0025(1)(l) states that the applicant must 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." See, e.g. *In the Matter of Portland General Electric Company*, Docket No. UP 292, Order No. 13-372 (2013).

The Commission has reserved the right to review any or all financial aspects of a transaction in a general rate case or other proceeding, and may condition approval of a sale on receiving notice in advance of any substantive changes to the sale and transfer of the property including any material change in price. See Docket No. UP 235, Order No. 06-651; and Docket No. UP 57, Order No. 90-433.

ANALYSIS:

Company owns a 53.43 acre parcel of land located at 10790 W. Franklin Road in Boise, Idaho. The property contains the company's Boise Operations Center building, Mechanical & Engineering building, and related facilities (BOC Property).

The real property, easements, and landscaping improvements subject to this transaction (Property) are located on the east and south edges of the BOC Property. The Property includes: 18,994 square feet of fee land; 9,778 square feet of permanent slope easement; 1,987 square feet of wall maintenance easement; and 7,710 square feet of temporary construction easement.

The proposed transaction value is \$230,366.49. This is based on an \$89,293.75 appraised value for the property as well as that associated with landscaping, irrigation

facilities, fencing, and signage improvements to the surrounding BOC Property. ACHD desires to buy the Property as part of its Five Mile Road/Franklin Road project. The purchased land will allow ACHD to widen the roads leading into the intersection.

IPC states that the transaction poses no risk to the safety or operation of their BOC Property and does not compromise the Company's ability to continue to provide safe, efficient, and reliable electricity to its customers.

Staff reviewed the utility filing and exhibits, previous Commission decisions on property sale filings, as well as responses to four 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 did not identify any unusual terms or conditions. Staff's primary concern on review was the use of a 2012 appraisal for a portion of the sale price. In reviewing the change in property values in the Boise metropolitan statistical area in which this property is located, Staff found that the average index increased approximately thirty percent from the date of the 2012 appraisal to the present. However, Staff acknowledges that property along a highway right of way and subject to condemnation can be difficult to value and a number of factors may affect value at any given time.

In response to Staff's concern, IPC noted that land improvements began in 2012 and have been completed over the course of the following three years. IPC and ACHD did not agree with the price and prudence of additional improvements beyond those included in the appraisal and ACPH took the position that the appraisal from 2012 was valid because that was when the sale would have occurred had IPC not required improvements. IPC did not require a new appraisal as that may have jeopardized the ability of the parties to reach a negotiated settlement. For the foregoing reasons, Staff finds the market valuation of the sales property is reasonable.

IPC has agreed to adhere to the Commission's desired treatment of the gain (\$110) on the sale of land for this parcel allocated to Oregon. Staff recommends that IPC offset the power cost deferral currently in amortization. This is a similar treatment to previous IPC property sale gains. See *In the Matter of Idaho Power Company*, Docket No. UP 272, Order No. 11-135 (2011); and *In the Matter of Idaho Power Company*, Docket No. UP 271, Order No. 11-136 (2011).

CONCLUSION:

Staff finds that the sale of this property from IPC to ACHD is in the public interest. This

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sale will not affect IPC's ability to serve customers in a safe and reliable manner and will result in a small return for Oregon ratepayers.

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

PROPOSED COMMISSION MOTION:

IPC's property sale agreement with ACHD be approved subject to Staff's recommended conditions.

Advice No. UP 335