

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 17, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: May 9, 2016

TO: Public Utility Commission

FROM: Brian Bahr ^{BB}_F

THROUGH: Jason Eisdorfer and Marc Hellman ^{ME}

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 340) Requests Approval to Sell Certain Property along the St. Mary's Substation, in the City of Beaverton, to the County of Washington.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve the application by Portland General Electric Company (PGE or Company) to sell certain property to the County of Washington, State of Oregon (Washington County), 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 gain on the sale shall be placed in the Company's property sales balancing account.

ISSUE:

Whether the Commission should approve PGE's application to sell certain property to Washington County.

APPLICABLE RULES AND LAWS:

ORS 757.480 and OAR 860-027-0025 are the relevant laws governing the sale or lease of utility property.

ORS 757.480 provides, in relevant part, that a utility doing business in Oregon shall obtain the Commission's approval prior to selling property used to provide utility service. 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)(I) 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 re PacifiCorp*, OPUC Docket No. UP 168, Order No. 00-112 at 6 (Feb. 29, 2000); *In re Portland General Electric*, OPUC Docket No. UP 165 & UP 170, Order No. 99-730 at 7 (Nov. 29, 1999).

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 *In re PacifiCorp*, OPUC Docket No. UP 235, Order No. 06-651 at 1-2 (Nov. 28, 2006); *In re CP National Corporation*, OPUC Docket No. UP 57, Order No. 90-433 (April 3, 1990).

DISCUSSION AND ANALYSIS:

Background

PGE owns approximately 24 acres of property in the City of Beaverton, Washington County, Oregon, on which St. Mary's Substation is located. Washington County has the authority to purchase property through its exercise of Right of Way (Public Law 91-646). Nevertheless, Washington County and PGE have negotiated an agreement for Washington County to purchase 6,784 square feet (Property) of the 24 acres owned by PGE. The power station and improvements are not included on the Property and will not be affected by the transaction. The sale also includes a temporary construction easement with a ten-month duration that will also not impact utility operations.

Issues

Staff investigated the following issues:

1. Scope and Terms of the Sale and Purchase Agreements
2. Sales Price and Allocation of Gain

3. Public Interest Compliance
4. Records Availability, Audit Provisions, and Reporting Requirements

Staff's review of these issues included examination of the Company's application, applicable laws, exhibits included with the application such as the independent appraisal and the Dedication Deed, and the Company's responses to four requests for information from Staff.

Scope and Terms of the Sale and Purchase Agreements

The Dedication Deed, Temporary Construction Easement, and appraisal of the land being sold (collectively the Agreements), are all included in the Company's application and were reviewed by Staff. Based on Staff's review, there do not appear to be any unusual terms or conditions in the Agreements.

Sales Price and Allocation of Gain

To determine book value, the original purchase price of the land to be sold to Washington County was estimated by PGE based on the book value of the total land currently owned by the Company at St. Mary's Substation. The net book value of the property to be sold is \$896, which is calculated as shown below:

23.93 acres (total land bought in 1963) = 1,042,391 square feet
Book value of 23.93 acres = \$137,686
 $\$137,686 / 1,042,391 \text{ sf} = \0.13 per sf
 $6,784 \text{ sf (land to be sold)} \times \$0.13 = \$896$

Based on an independent appraisal, the value of the land being sold is \$154,000. The cost of the appraisal was borne by Washington County, which has agreed to pay the appraised value to PGE in cash at the time of the closing of the sale. Because the appraisal was performed by an independent MAI appraiser, whose appraisal report was reviewed carefully by Staff, the appraisal value of the land appears reasonable and fair.

The gain on sale is calculated as follows:

Appraised Value of the Land: \$154,000
Net Book Value of the Land: \$896
Gain on Sale: \$153,104

As is typically done for property sales, the Company will defer the gain on sale and place the gain in the property sales balancing account, which serves to benefit customers.

Public Interest Compliance

As stated, the Commission customarily applies a “no harm” standard with regard to the public interest compliance of property sales. As the property to be sold is no longer needed for utility purposes or useful in the performance of the Company’s duties to the public, customers are not harmed by its sale. The temporary easement will also not affect PGE’s ability to perform its duties to the public.

Records Availability, Audit Provisions, and Reporting Requirements

Staff notes that the Commission retains the ability to review all property sales of the Company through general rate case filings. Staff’s recommended conditions provide for documentation of this property sale. The Company has reviewed a draft of this memo and has stated it has no objections or concerns.

Conclusion

Based on the review of this application, Staff concludes:

1. The Agreements do not contain any unusual or restrictive terms or conditions;
2. The sales price and allocation of gain is fair and reasonable;
3. The transaction is in the public interest; and
4. Necessary records are available.

PROPOSED COMMISSION MOTION:

Approve PGE’s application for approval to sell certain property to Washington County, subject to Staff’s recommended conditions.