

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 17, 2018**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: June 4, 2018

TO: Public Utility Commission

FROM: Kathy Zarate *KZ*

THROUGH: *EP, JN* Jason Eisdorfer and *JC* John Crider

SUBJECT: PACIFIC POWER: (Docket No. UP 373) Request PacifiCorp's application for approval of the sale of property in Taylorsville, Utah.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve PacifiCorp's (or Company) Application for Approval of the Sale of property between PacifiCorp and the City of Taylorsville, Utah (Taylorsville), subject to the following conditions:

1. PacifiCorp shall notify the Commission in advance of any substantive change to any agreement filed in this proceeding, including any material changes in price. Any changes to the terms that alter the intent and extent of activities under the agreements 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 Commission reserves the right to review, for reasonableness, financial aspects of this arrangement in any rate proceeding.
3. PacifiCorp shall provide the Commission access to all books of account, as well as documents, data, and records that pertain to the sale or agreement of the property with City of Taylorsville, Utah. In addition, PacifiCorp shall seek prior Commission approval for any future property transactions pursuant to ORS 757.480.
4. The final journal entry recording the transaction shall be submitted to the Commission within 60 days after the transaction closes.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's Application for an Approval of Certain Agreements with City of Taylorsville, Utah.

Applicable Rule or Law

ORS 757.480(1) requires public utilities doing business in Oregon to seek Commission approval prior to the sale, lease, assignment or disposal of property valued in excess of \$100,000 that is necessary or useful in the performance of its duties to the public.

OAR 860-027-0025 sets forth the information required to support a request for the approval of sale, lease, assignment or disposal of utility property.

OAR 860-027-0025(1)(l) requires that the applicant show that the proposed transaction is consistent with the public interest. The Commission has interpreted the phrase "consistent with the public interest" as used in this rule to require a showing of "no harm to the public." See, e.g., *In re PacifiCorp*, OPUC Docket No. UP 168, Order No. 00-112 at 6 (Feb. 20, 2000); *In re Portland General Electric*, OPUC Docket No. UP 165, Order No. 99-730 at 7 (Nov. 29, 1999).

Finally, the Commission's authority, broadly speaking, is to obtain adequate service for customers at fair and reasonable rates while at the same time balancing the interests of the utility's investors. See ORS 756.040.

Analysis

PacifiCorp filed its Application on April 9, 2018, requesting approval from the Commission for the asset sale transaction described in the Purchase and Sale Agreement (Agreement) between PacifiCorp and the City of Taylorsville, Utah (Taylorsville).

The Agreement provides that PacifiCorp will sell certain street-lighting facilities to Taylorsville, which are located within Taylorsville's annexed boundaries, for a total asset purchase price of \$649,786. The assets proposed to be sold under the Agreement are classified as Utah situs distribution, meaning that the assets are not included in Oregon's rates and that the sale is not allocated to Oregon for ratemaking purposes.

This transaction will not impair PacifiCorp's ability to continue the provision of reliable electric service to its customers.

Staff investigated the following issues:

1. Terms and Conditions of the Agreement;
2. Transfer Pricing;
3. Public Interest Compliance; and
4. Records Availability, Audit Provisions, and Reporting Requirements.

Terms and Conditions of the Agreement

Staff's review of the Agreement did not identify any unusual or restrictive terms or conditions.

Transfer Pricing

As described in the Agreement, PacifiCorp will sell street light facilities to Taylorsville that include fiberglass poles, steel poles, wood poles, luminaires, overhead conductor, and underground cable. The total transaction price is \$649,786.00. The transaction price was determined from the net book value of the assets (\$589,794), plus income tax (\$57,493), and legal/transaction costs (\$2,500).

Public Interest Compliance

Staff finds that the transaction will not affect PacifiCorp's ability to perform its public duties, will not harm customers, and will not impede the Company's ability to provide safe and reliable service in the area consistent with the public interest.

Records Availability, Audit Provisions, and Reporting Requirements

The book value (cost) included in Electric Plant in Service, FERC account 101, of the distribution assets sold is \$393,924.00 and the Accumulated Provision for Depreciation, FERC account 108, is \$253,362.00.

Staff further notes that the Commission retains the ability to review all property sales and lease agreements entered by the Company through general rate case filings. Staff's recommendation affords the Commission the ability to exam PacifiCorp's books and records concerning the Agreement as necessary.

PacifiCorp has reviewed this memo and has not communicated any objections or concerns.

Conclusion

Based on the review of PacifiCorp's Application, Staff concludes The Commission should approve the Agreement, subject to the following conditions:

1. PacifiCorp shall notify the Commission in advance of any substantive change to any agreement filed in this proceeding, including any material changes in price. Any changes to the terms that alter the intent and extent of activities under the agreements 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 Commission reserves the right to review, for reasonableness, financial aspects of this arrangement in any rate proceeding.
3. PacifiCorp shall provide the Commission access to all books of account, as well as documents, data, and records that pertain to the sale or agreement of the property with City of Taylorsville, Utah. In addition, PacifiCorp shall seek prior Commission approval for any future property transactions pursuant to ORS 757.480.
4. The final journal entry recording the transaction shall be submitted to the Commission within 60 days after the transaction closes.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's Application for Approval of the Sale of Certain Assets in Taylorsville, Utah, subject to Staff's recommended conditions.