

PUBLIC UTILITY COMMISSION OF OREGON
CONFIDENTIAL INTEROFFICE CORRESPONDENCE

DATE: October 9, 2020

TO: John Crider and Matthew Muldoon

FROM: Kathy Zarate and Moya Enright

SUBJECT: PACIFIC POWER:
(Docket No. UPN 104)
Notice of Property Disposition – Parking Lot Lease.

DISCUSSION:

On April 28, 2020, Pacific Power (PacifiCorp or Company) filed a notice of property disposition pursuant to ORS 757.480(2). This notice involves a lease agreement (Lease) with Pacific Landing V, LLC (Pacific Landing) to lease property adjacent to the Company's transmission facilities in Salt Lake County, Utah, for use as a parking lot.

The Agreement in question was executed on November 29, 2019, at which time ORS 757.480(2) required the Company to provide notice of a completed transaction to the Oregon Public Utility Commission (Commission) within 60 days of a completed transaction.

ORS 757.480(2) was amended effective January 1, 2020.¹ Staff notes that going forward, any completed transaction that is over \$25,000 and under \$1 million executed after January 1, 2020 only needs to be noticed to the Commission through an annual report filing.

Background

The Lease permits Pacific Landing to use property adjacent to the Company's transmission facilities in Salt Lake County, Utah, as a parking lot. The Lease has an initial term of 10 years, and the lessee has the option to extend the Lease for two additional five-year terms.

The Lease requires an annual payment to PacifiCorp of **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]**. This value is subject to annual increases of 2.5 percent.

Staff issued a total of four data requests regarding the Agreement, which informed the analysis described below.

¹ An Act Relating to disposition of utility property; amending ORS 757.480, S.B. No. 637, 80th Leg. Assembly (2019).

Reporting Delay

The Agreement in question was executed on November 29, 2019, and the Company filed the Notice with the Commission on April 28, 2020. This approximately one-year delay in filing is outside the 60-day period required by ORS 757.480(2) for any property dispositions executed before January 1, 2020. The Company informed Staff through discovery that the delay in reporting occurred due to a failure of communication between the business unit responsible for the property transaction and the Company's regulatory group. The Company further informed Staff that it has enacted changes to its tracking and reporting of property dispositions to ensure compliance going forward.²

Considering the recent change to ORS 757.480(2), and the Company's efforts to avoid recurrences of such delays, Staff finds that it would be appropriate for the Commission to exercise leniency with regard to the 60-day requirement in this case.

Value of the Agreement

The annual payment due to PacifiCorp under the Agreement is derived from a market rate of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] per square foot, based on transactions involving comparable properties nearby.³ This payment is subject to annual increases of 2.5 percent, a value which was determined through negotiation between the tenant and the Company.⁴ Staff has reviewed, and agrees with this valuation.

The total compensation due to PacifiCorp under the terms of the initial 10 year Agreement is [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] on a total company basis, of which [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] is allocated to Oregon. This is in accordance with the 2017 Inter-jurisdictional Allocation Protocol, which required transmission assets to be allocated on a system generation allocation factor.⁵

Consequences of the Agreement

PacifiCorp has informed the Commission that the Agreement does not interfere with the utility's ability to operate its facilities or impede access to its property. The agreement will not hinder the Company in its obligation to provide safe, reliable electric service.

Conclusion

Based on the analysis described above, Staff concludes that the Agreement is reasonable, and will not harm the public.

² See PacifiCorp's response to Staff Information request 1.

³ See PacifiCorp's response to Staff Information request 2.

⁴ See PacifiCorp's response to Staff Information request 3.

⁵ See 2017 Inter-jurisdictional Allocation Protocol, Docket No. UM 1050, Order No. 16-319 at Appendix A.

STAFF RECOMMENDATION:

Staff determined that the public is not harmed by this transaction because:

1. Although the Company failed to inform the Commission of this issue in a timely manner, the delay did not harm customers;
2. The Company's ability to use the property is not impeded or impaired, therefore the Company's ability to provide reliable electric service is not harmed;
3. The transaction provides a financial benefit to customers.

Staff recommends this docket be closed with no further action.

CC: Diane Davis