

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UP 210

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	ORDER
)	
Request for Authority to Sell Utility)	
Property.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On January 13, 2005, the Public Utility Commission of Oregon (Commission) received an application from Portland General Electric Company (PGE), pursuant to ORS 757.480 and OAR 860-027-0025, requesting authority to sell 6.6 acres of ancillary, undeveloped land (Property) adjacent to the Oregon Museum of Science and Industry (OMSI). OMSI has a pending Option Agreement with PGE to purchase the property at market value. Because the Property is not currently used and useful for the provision of utility operations, the transaction would benefit ratepayers.

OPINION

Under ORS 757.480, a public utility doing business in Oregon shall first obtain Commission approval for any transaction to sell, lease, assign or otherwise dispose of property. Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on August 16, 2005, the Commission adopted Staff's recommendation to approve the sale of the Property by PGE to OMSI. Staff's recommendation is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that the application of Portland General Electric Company is approved, subject to the following conditions:

1. Portland General Electric Company shall provide the Commission access to all books of account, as well as all documents, data, and records that pertain to the sale of the property. All records surrounding the property and the transaction shall be maintained, for no less than 10 years after the transaction date, at Portland General Electric's office in Portland, to facilitate any future audit.
2. A complete accounting shall be provided to Staff within 45 days after the consummation of the transaction. Such accounting will include full details on all transaction costs.
3. The Commission reserves the right to review, for reasonableness, all financial aspects of this transaction in any rate proceeding or alternative form of regulation.
4. Portland General Electric Company shall notify the Commission in advance of any substantive changes to the transaction, including purchase price or termination of purchase negotiations. Any material change shall be submitted in an application for a supplemental order in this docket.
5. Allocation of Gain or Loss – All gains shall be recognized and recorded in a balancing account for later refund or recovery to customers in a supplemental tariff. Additionally, the gross proceeds from the sale of all Transportation System Development Charge Credits will be credited to customers. No transaction costs shall be borne by ratepayers.
6. Portland General Electric retains the right to require that the property be reappraised under certain circumstances. In addition to the foregoing, if the property sale transaction is closed after December 31, 2005, PGE shall be required to reappraise the property to update its market value and the appraisal must occur within 90 days of closing. The contract requires the sales price to reflect the results of the appraisal.

7. If the property is not developed, pursuant to the terms of the purchase agreement, and Portland General Electric determines to repurchase the property, no reacquisition costs shall be included in regulated accounts.

Made, entered, and effective AUG 22 2005.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

ITEM NO. CA3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 16, 2005

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: August 3, 2005

TO: Public Utility Commission

FROM: Bryan Conway *BAC*

THROUGH: *u* Lee Sparling and *AA* Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 210) Request for Authority to Sell Utility Property.

STAFF RECOMMENDATION:

The Commission should approve the property sale by Portland General Electric subject to the following conditions:

1. Portland General Electric shall provide the Commission access to all books of account, as well as documents, data, and records that pertain to the sale of the property. All records surrounding the property and the transaction shall be maintained, for no less than 10 years after the transaction date, at Portland General Electric's office in Portland, to facilitate any future audit.
2. A complete accounting shall be provided to Staff within 45 days after the consummation of the transaction. Such accounting will include full details on all transaction costs.
3. The Commission reserves the right to review, for reasonableness, all financial aspects of this transaction in any rate proceeding or alternative form of regulation.
4. Portland General Electric shall notify the Commission in advance of any substantive changes to the transaction, including purchase price or termination of purchase negotiations. Any material change shall be submitted in an application for a supplemental order in this docket.
5. Allocation of Gain or Loss- All gains shall be recognized and recorded in a balancing account for later refund or recovery to customers in a supplemental tariff. Additionally, the gross proceeds from the sale of all Transportation System

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Development Charge Credits will be credited to customers. No transaction costs shall be borne by ratepayers.

6. Portland General Electric retains the right to require that the property be reappraised under certain circumstances. In addition to the foregoing, if the property sale transaction is closed after December 31, 2005, PGE shall be required to reappraise the property to update its market value and the appraisal must occur within 90 days of closing. The contract requires the sales price to reflect the results of the appraisal.
 - a. The accounting entries for ratemaking purposes will be based on an updated appraisal in the event the property sale transaction is closed after December 31, 2005.
7. If the property is not developed, pursuant to the terms of the purchase agreement, and Portland General Electric determines to repurchase the property, no reacquisition costs shall be included in regulated accounts.

DISCUSSION:

Portland General Electric (PGE or Company) filed an application on January 13, 2004, pursuant to ORS 757.480 and OAR 860-027-0025. The Company requests authority to sell 6.6 acres of ancillary, undeveloped land (Property) adjacent to the Oregon Museum of Science and Industry (OMSI). OMSI has a pending Option Agreement with PGE to purchase the property at market value.

Staff was able to work through the issues with PGE through the course of this docket and arrive at this agreed-upon recommendation.

Background

The Property consists of two parcels of land separated by street improvements. The Company originally purchased the Property in 1955 and has since partitioned the property and has paid for infrastructure development of the neighborhood. In the mid-1980s, PGE donated a portion of the Property to OMSI, which was developed into OMSI's current museum.

In July, 1995, the property was partitioned and a portion was sold to KPTV for the development into KPTV's television studio property.

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PGE has generally used the property for light industrial storage purposes, and it has determined that it no longer requires the property for its utility operations.

Sale Details

PGE entered in to an Option Agreement with OMSI to sell the property at market value. OMSI has indicated its intention to exercise OMSI's option to purchase the property as soon as the OPUC approves the sale. A recent valuation on the Property was performed, effective May 5, 2005, by Integra Realty Resources, a commercial real estate appraisal firm located in Portland.

Because of the passage of Measure 37, PGE requested an analysis of the potential value of the property, assuming PGE were successful asserting all of its claims under the parameters of the Measure. However, because PGE does not intend to maintain ownership of the property, the value of the property to another owner would not necessarily reflect the same value.

Integra Realty Resource's opinion of value under the current zoning and Highest and Best Use is \$4,480,000.

System Development Charges

During the partitioning and development process of the original property, PGE represents that it has incurred \$1,092,431 in "Transportation System Development Charges" to the City of Portland (City). The Company has a credit of this amount, with the City, which could be applied to other Company uses. Because PGE has determined that it will not have use for this credit, it has proposed to sell the credit. To date, PGE represents that it has one interested party which has offered to purchase the credits for 70 percent of its book value. PGE has determined that this purchase price is fair and reasonable.

Because the Property is not currently used and useful for the provision of utility operations, the transaction would benefit ratepayers by providing a substantial gain and a return of a majority of the System Development Charges incurred by the Company.

PROPOSED COMMISSION MOTION:

The requested property sale be approved with Staff's recommended conditions.