

ORDER NO. 11 424

ENTERED OCT 26 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 274

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Application for Approval of the Sale of
Property Near the City of Sandy,
Clackamas County, Oregon, to Inner City
Properties.

ORDER

DISPOSITION: ORDER NO. 11-204 AMENDED.

In Order No. 11-204, the Public Utility Commission of Oregon (Commission) approved an application from Portland General Electric Company (PGE) to sell 115.48 acres of land (the Property) subject to certain conditions. On August 24, 2011, PGE filed an application requesting that Order No. 11-204 be amended to change a condition listed in the order relating to the terms of the sale. A description of the filing and its procedural history is contained in the October 12, 2011 Staff Report, attached as Appendix A, and incorporated by reference.

At its Public Meeting on October 18, 2011, the Commission adopted Staff's recommendation to approve PGE's application.

ORDER

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

1. PGE shall continue to comply with conditions 1 through 3, 5, and 6 of Commission Order No. 11-204, dated June 23, 2011, subject to the ongoing discussions between PGE and Staff to change the frequency of the "appropriate semiannual report" provided for in Condition No. 6 from semiannual to annual.

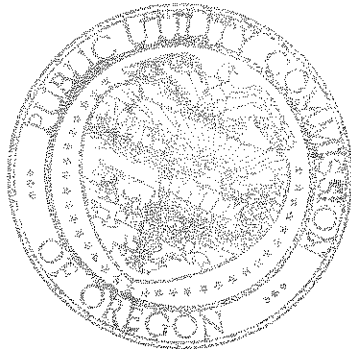
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2. PGE will record the gain of \$332,293, as calculated in the October 12, 2011 Staff Report attached as Appendix A, from the sale in the Property Sale Balancing Account for subsequent refund to customers with accrued interest calculated using the applicable Commission approved rate of return from the date of the sale.

Made, entered, and effective _____

OCT 26 2011



BY THE COMMISSION:

Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 18, 2011

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: October 12, 2011

TO: Public Utility Commission

FROM: Michael Dougherty *MD*

THROUGH: *LS BK* Lee Sparling and Marc Hellman *A*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 274(1)) Application for Supplemental Order – Bull Run Property.

STAFF RECOMMENDATION:

The Commission should approve Portland General Electric's (PGE or Company) Application for Supplemental Order – Bull Run Property with the following conditions:

1. PGE shall continue to comply with conditions 1 through 3, 5, and 6 of Commission Order 11-204, dated June 23, 2011.¹
2. PGE will record the gain of \$332,293 as calculated below, from the sale in the Property Sale Balancing Account for subsequent refund to customers with accrued interest calculated using the applicable Commission approved rate of return from the date of sale.

DISCUSSION:

This application for a Supplemental Order was filed on August 24, 2011. PGE's original application to sell the Bull Run powerhouse, former school facility, and adjacent acreage to Inner City Properties was filed on March 23, 2011, docketed as UP 274, and approved by the Commission on June 23, 2011, (Commission Order 11-204).

According to PGE, the original application, Commission Staff's public meeting memo, and the Commission's order stated that the price of the sale would be the value of the

¹ Condition No. 6 refers to "appropriate semiannual report." Staff and PGE are currently in discussions to change the frequency of this report from semiannual to annual.

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timber plus \$1.² However, when PGE was reviewing the appraisals of the property in preparation for the sale, the Company discovered that it had incorrectly calculated the "value of the timber plus \$1" by including the value of the land. As a result, the \$875,657 figure included in PGE's original application includes the value of the timber, plus the value of the land, plus \$1, which is incorrect.

As the application and subsequent Commission order states, the price is calculated as the value of the timber plus \$1. The correct selling price should be \$615,782 and the net gain should be \$332,293 plus accrued interest. Other than the selling price, there have been no other changes to the approved transaction.

Allocation of Gain

Staff reviewed the original appraisal report on the value of the property submitted to PGE by Real Property Consultants. On page 24 of the report, the appraiser clearly demonstrated that the value of the timber contribution is \$615,781 and the value of the land is \$259,875. Because the sale of the property was based on the value of the timber plus \$1, the correct sale price is \$615,782. Based on the updated selling price, Staff's revised calculations are as follows:

Table 1 – Revised Gain Calculation

	Revised Per Staff
Selling Price	\$615,782
Book Value	-\$3,544
Selling Expenses	-\$279,945
Net Proceeds	\$332,293
Add Decommissioning Savings (discussed in Staff's public meeting memo dated June 1, 2011)	\$1,523,470
	\$0
Net Gain to be returned	\$1,855,763

Public Interest Compliance

The application for a Supplemental Order continues to conform to the no harm standard used by the Commission because the Property is surplus to the Company's needs and is not necessary to serve its customers. Additionally, customers will receive a significant gain from the property that was assessed a negative value.³ The sale will

² According to Staff's memo, "Inner City has agreed to purchase the Property for the sum of \$875,657, which is the value of the timber located on the property, plus one dollar (\$1)."

³ The appraisal actually lists the property value as a negative \$650,000 due to decommissioning costs.

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result in approximately \$1,855,763, along with accrued interest, being returned to customers. In addition, as a result of the sale, PGE will no longer be required to remove the powerhouse improvements; Inner City will assume responsibility for possible environmental costs associated with the Property; and PGE will retain all other rights over the existing property for use and maintenance of transmission lines.

Records Availability, Audit Provisions, and Reporting Requirements

Order Condition Number 1, listed above in the Staff recommendations, continues to afford the necessary Commission examination of PGE's books and records concerning the sale.

PROPOSED COMMISSION MOTION:

The application for Supplemental Order – Bull Run Property Sale, be approved subject to the two conditions stated in Staff's recommendations in this memorandum.

UP 274(1) pmm - 10.12.11