

ORDER NO. 13 022

ENTERED JAN 29 2013

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 283

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

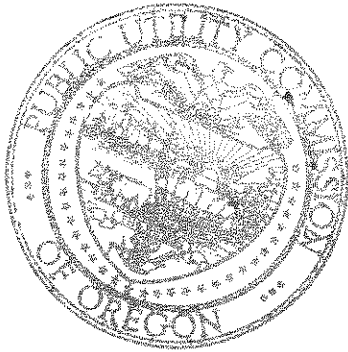
Application for Approval of the Sale of 934
SE 32nd Ave.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on January 29, 2013, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

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. CA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 29, 2013

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: January 22, 2013

TO: Public Utility Commission

FROM: Geoffrey Moore *GM*

THROUGH: *E* Jason Eisdorfer, *MG* Maury Galbraith, and *K* Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 283) Application for the sale of certain property located in Southeast Portland, Oregon, to private third party purchaser.

STAFF RECOMMENDATION:

The Public Utility Commission (Commission) should approve the application by Portland General Electric (PGE or Company) to sell residential property located at 934 SE 32nd Ave, Portland, Oregon to a private third party purchaser, subject to the following conditions:

1. PGE shall provide the Commission access to all books of account, as well as documentation, data, and records that pertain to the sale of the property.
2. PGE shall notify the Commission in advance of any substantive change to this sale, 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.
3. The gain on the sale shall be booked to the property sales deferred account for later rate making treatment, in accordance with Docket Nos. UE 115 and UE 116, with 100 percent of the gain going to customers.
4. The final journal entry recording the transaction will be submitted to the Commission within 60 days of closing and the Company shall include the transaction in the appropriate semi-annual report.

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DISCUSSION:

PGE filed this application on December 28, 2012, pursuant to ORS 757.480 and OAR 860-027-0025.

PGE is requesting approval from the Commission for an Order authorizing the sale of property located in Portland, Oregon at 934 SE 32nd Avenue. The proposed sale is for approximately 3333 square feet (block 23, lot 1, Sunnyside & Plat 2 & 3) and a residential structure located on the lot. PGE obtained the property in February 1979 for the future expansion of the adjacent substation. According to the application, PGE decided to rebuild the substation in 2009 using improved technology. Due to the decreased space needs of the new technology, the property no longer became needed for the expansion.

PGE listed the property for sale in early October, 2012, using John L. Scott. According to data responses from PGE, the property was listed in RMLS, a realty sign was placed on the property and a broker tour was held on October 16, 2012. No open houses were held; however, the property was shown approximately 24 times while it was listed for sale.

According to PGE's application for sale, the Property is no longer needed for utility purposes and is no longer necessary or useful in the performance of PGE's duties to the public. PGE received an "AS-IS" cash purchase offer from an unaffiliated third party purchaser (Buyer) in early November, 2012. PGE contacted an independent appraiser to assess the value of the property prior to listing it for sale. The Buyer concurs with the appraised value; however, due to the findings of an independent home inspection contracted by the Buyer and the sale being a cash transaction¹, both parties have agreed to a sale price that is less than the appraised value.

Issues

Staff investigated the following issues:

1. Scope and Terms of the Asset Purchase Agreement
2. Allocation of Gain
3. Public Interest Compliance
4. Records Availability, Audit Provisions, and Reporting Requirements

¹ Cash real estate transactions typically avoid the review process that accompanies financing. This review process typically requires most of the identified issues be repaired, at PGE's expense, prior to closing. See PGE Data Response No. 007.

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Scope and Terms of the Asset Purchase Agreement

There does not appear to be any unusual or restrictive terms to the agreement. An appraisal of the property was conducted by Portland Residential Appraisals for PGE. The appraisal is dated August 30, 2012 and consists of an exterior-only inspection residential appraisal report and primarily utilizes the sales comparison approach. The report appraises the property at an "AS-IS" value of \$340,000 using the sales comparison approach and a value of \$301,110 using the cost approach.²

The Buyer requested a home inspection be conducted prior to the close of the sale. Walker Inspection Service, LLC conducted the home inspection on November 15, 2012. Multiple issues were discovered in the home inspection, but the Buyer remains interested in purchasing the property "AS-IS". Due to the issues outlined in the home inspection report and the nature of the sale (cash sale), both PGE and the Buyer have agreed to a sale price of \$307,000. This amount is below the primary property value developed in the appraisal report, but given the issues discovered in the home inspection and the lower bound value (value determined utilizing the cost approach) in the appraisal report, the sale price is reasonable.

Allocation of Gain

The property was purchased in 1979 and the entire purchase price was booked to FERC Account No. 360 – Land. According to the Company, historic records from the property do not provide documentation showing the breakdown of value for land and structure when the property was purchased. Therefore, no Book or Tax depreciation has been applied because there is no depreciation on land.³ Due to amount of the original purchase price, Staff believes that any depreciation to the value of the structure that should have been booked is de minimis in nature.

The property's book value is \$35,809.02 (\$35,809.02 original cost plus \$101.79 purchase option). Based on the selling price of \$307,000, the net proceeds from the sale will be approximately \$266,191 (\$307,000 less \$35,809.02 less \$5,000 selling expenses).

Public Interest Compliance

According to the Company, the property is no longer needed for the substation expansion project due to the availability of new technology. The installation of this new technology resulted in significantly lower space needs for the substation so the property was left vacant. According to the Company's response, PGE decided to rent the

² In his report, the appraiser notes that the cost approach is used to support the value determined by the sales comparison approach.

³ See DR 001 response

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property after the 2009 substation upgrade until the Metro area real estate market strengthened.⁴

PGE is selling the property "AS-IS" to the Buyer. Upon the close of the sale, PGE will not be liable for structural problems or repairs.⁵ The sale conforms to the no harm standard used by the Commission and will result in a gain of approximately \$266,191 being returned to customers through a credit to the property sales deferred account.

Records Availability, Audit Provisions, and Reporting Requirements

Condition Numbers 1 and 2 and Number 4 listed in the Staff recommendations afford the necessary Commission examination of PGE's books and records concerning the sale. Condition Number 1 and Condition Numbers 3 and 4 are post-sale conditions.

PROPOSED COMMISSION MOTION:

PGE's application for the sale of property located at 934 SE 32nd Ave., Portland, OR be, approved subject to the four conditions stated in Staff's recommendations in the memorandum.

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⁴ See response to DR 006

⁵ See response to DR 004