

ORDER NO. 13 336

ENTERED SEP 17 2013

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 288

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

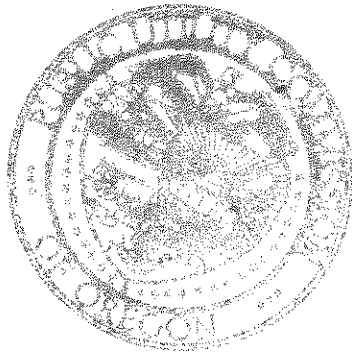
Application for Approval of Sale of Property
in Portland, Oregon.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 17, 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.

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ITEM NO. CA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 17, 2013

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: August 26, 2013

TO: Public Utility Commission

FROM: Linnea Wittekind *KE*
JE

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman *ME* *AT*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 288) Application for approval of the sale of certain property located in Portland, Oregon, to private third party purchaser.

STAFF RECOMMENDATION:

The Oregon Public Utility Commission (Commission) should approve the application by Portland General Electric (PGE or Company) to sell residential property located at 1510 SE Water Ave, Portland, Oregon to a private third party purchaser, subject to the following conditions:

1. 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.
2. The gain on the sale net environmental cleanup costs shall be booked to the property sales deferred account for later rate making treatment, with 100 percent of the net gain going to customers.
3. PGE shall submit the final journal entry recording the transaction to the Commission with the appropriate semi-annual report.

DISCUSSION:

PGE filed this application on July 29, 2013, pursuant to ORS 757.480 and OAR 860-027-0025.

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PGE is requesting approval from the Commission for an Order authorizing the sale of property located in Portland, Oregon at 1510 SE Water Avenue (Hawthorne Property). The proposed sale consists of 36,928 square feet of land at block 20, lots 1100, 1200, and 1300 as well as an industrial building and a fenced-enclosed parking lot. The land was purchased by PGE in 1905, and the building, known as the Hawthorne Building, was built in 1911. In 2012, PGE decided to transition operations from the Hawthorne property due to the limitations in location, building design, and costs associated with required environmental cleanup.

Environmental sampling by PGE found Polychlorinated Biphenyls (PCBs) and lead contamination exceeding human health standards. As part of the Downtown Reach project, PGE signed an administrative order of consent with the Department of Environmental Quality (DEQ) requiring completion of source control at the Hawthorne property. PGE considered the complete demolition of the building before selling the Hawthorne property but determined that potential buyers wanted the building to remain. According to PGE, the greatest benefit to customers and company would be to not demolish the building and enter into a Voluntary Cleanup Program for the Hawthorne property in order to obtain a No Further Action decision from DEQ and to sell the Hawthorne property and building.

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.

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
5. Environmental Cleanup Costs

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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 Real Property Consultants for PGE. The appraisal is dated December 11, 2012. Per the appraisal report reviewed by Staff, the appraisal was conducted based on the hypothetical condition that the Hawthorne property is clean. The Hawthorne property is reportedly affected by known environmental conditions resulting from prior industrial uses. Future transfers of the property will be contingent on the issue of a No Further Action letter by DEQ. PGE is responsible for the entirety of the environmental clean-up costs up to the time DEQ issues its No Further Action letter. The actual appraised value is confidential, but Staff notes that the appraised value is less than the sales price.

Allocation of Gain

The property was purchased in 1905 and the entire purchase price was booked to FERC Account No. 389 – General Land and Land Rights.

The book value and selling price is deemed confidential by PGE. As the sale is not yet finalized due to it being contingent upon cleanup, PGE is not publicly sharing the sales price at this time. For accounting purposes, PGE will defer the difference between the sale of the Hawthorne property and the actual environmental cleanup costs. The net proceeds of the sale after cleanup costs will be deferred and included in PGE's Property Sale account for later ratemaking. PGE has agreed to adhere to Staff's treatment of gains/losses on the sale of land for purposes of this sale. The Company will net all cleanup costs against the gain from the sale. Staff has reviewed the sale price as well as the environmental cleanup costs and finds them fair and reasonable.

Public Interest Compliance

According to PGE, the land and building of the Hawthorne property are no longer needed for utility purposes and are no longer necessary or useful in the performance of PGE's duties to the public.

The sale conforms to the no harm standard used by the Commission.

Records Availability, Audit Provisions, and Reporting Requirements

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

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Environmental Cleanup Costs

Staff reviewed the cleanup activities as well as their costs which are confidential. Staff does not note any cleanup activities or costs that seem out of the ordinary. PGE requests to net the environmental cleanup costs from the sale proceeds.

PROPOSED COMMISSION MOTION:

PGE's application for the sale of property located at 1510 Water Ave., Portland, OR be approved subject to the three conditions stated in Staff's recommendations in the memorandum.