

ORDER NO. 18 440

ENTERED NOV 20 2018

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UP 380

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

Application for Approval to Sell Property in  
the City of Sandy (Roslyn Lake).

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on November 20, 2018, 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:



A handwritten signature in blue ink, appearing to read "Michael Grant", is written over a horizontal line.

**Michael Grant**  
Chief Administrative Law Judge

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 Circuit Court for Marion County in compliance with ORS 183.484.

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ITEM NO. CA5

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 20, 2018

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE \_\_\_\_\_ N/A

DATE: October 11, 2018

TO: Public Utility Commission

FROM: Kathy Zarate KZ

THROUGH: Jason Eisdorfer and John Crider

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 380) Application for the sale of certain property located in City of Sandy, Clackamas County, Oregon, to Trackers Conservations Properties, LLC.

**STAFF RECOMMENDATION:**

The Public Utility Commission (Commission) should approve Portland General Electric's (PGE or Company) Application for Approval of the Sale of PGE Property in the City of Sandy (Roslyn Lake), subject to the following conditions:

1. PGE shall notify the Commission in advance of any substantive changes 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 Commission reserves the right to review, for reasonableness, financial aspects of this arrangement in any rate proceeding.
3. PGE shall provide the Commission access to all books of account, as well as documents, data, and records that pertain to the sale or agreement of the property with Trackers Conservations Properties, LLC (Trackers). In addition, PGE shall seek prior Commission approval for any future property transactions pursuant to ORS 757.480.
4. The final journal entry recording the transaction shall be submitted to the Commission within 60 days after the transaction closes.

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## DISCUSSION:

### Issue

Whether the Commission should approve PGE's sale of Property in the City of Sandy (Roslyn Lake).

### Applicable Rule or Law

ORS 757.480(1) requires public utilities doing business in Oregon to obtain Commission approval before the sale, lease, assignment or disposal of property valued in excess of \$100,000 that is necessary or useful in the performance of its duties to the public. OAR 860-027-0025 sets forth the information that utilities must provide with an application filed under ORS 757.480, including a description of the property and the purpose of the sale. The Commission applies a "no harm" standard to requests to sell property.<sup>1</sup>

### Analysis

On August 31, 2018, PGE filed its Application for Approval of the Sale of PGE Property in the City of Sandy (Roslyn Lake), requesting approval from the Commission for the sale of certain property to Trackers pursuant to a Real Estate Agreement (Agreement) and the Purchase and Sale Extension.<sup>2</sup>

Pursuant to the Agreement, PGE proposes to sell to Trackers 240 acres of land, parceled out into two portions (one 80-acre parcel, and one 160-acre parcel lying entirely west of Ten Eyck Road), for the sum of \$1,400,000. PGE purchased the land in multiple parcels in the early 1900's for the Bull Run Hydroelectric Project, but decided not to renew the FERC license for the facility because it was not cost-effective. For this reason, PGE states that the property is no longer useful or necessary for providing utility service. The total purchase price of \$1,400,000 is due and payable in cash to PGE upon closing of the sale.

This transaction will not impair PGE's ability to continue the provision of reliable electric service to its customers.

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<sup>1</sup> See e.g., *In re PacifiCorp*, OPUC Docket No. UP 168, Order No. 00-112 at 6 (Feb. 20, 2000); *In re Portland General Electric*, OPUC Docket No. UP 165, Order No. 99-730 at 7 (Nov. 29, 1999).

<sup>2</sup> Attached as Exhibit 1 to PGE's Filing.

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Staff investigated the following issues:

1. Terms and Conditions of the Purchase Agreement;
2. Transfer Pricing;
3. Public Interest Compliance; and
4. Records Availability, Audit Provisions, and Reporting Requirements.

Staff's review of these issues included examination of PGE's Application, applicable laws and PGE's responses to five Information Requests (IRs).

*Terms and Conditions of the Purchase Agreement*

Staff's review of the Agreement did not identify any unusual or restrictive terms or conditions. The Agreement will not be executed until the Company receives approval for it from the Commission.

*Transfer Pricing*

The total transaction price is \$1,400,000, which is equivalent to its market value. PGE used a third-party appraiser, George W. Donnerberg, MAI, who was chosen because PGE has contracted with him in the past and he is a PGE-qualified supplier. Mr. Donnerberg is familiar with valuation related to utility easements. PGE did not contact other appraisers since PGE has worked with Mr. Donnerberg in the past and with the current building boom, it is difficult to secure appraisers in a timely manner.<sup>3</sup>

The book value of the property is \$169,681. Therefore, for accounting purposes, PGE will defer the gain on the sale of the property of approximately \$1,140,000. The gain on the sale is derived by subtracting the net book value and \$90,000 for appraisal and labor expenses from the purchase price.

The majority of the \$90,000 cost came from the Broker's fee, which is 5% of the total purchase price. The Broker's fee would be \$70,000. Broker's fees are commonly 6% of the purchase price, but PGE was able to negotiate the lower 5% fee<sup>4</sup>.

The other components of the \$90,000 were as follows:

- Surveying and Partitioning the land - \$16,000
- Title Insurance Policy - \$2,700
- Escrow Fee - \$800
- Recording Fees - \$200
- Broker's Fee - \$70,000.

<sup>3</sup> PGE response to Information Request 4.

<sup>4</sup> PGE response to information Request Agreement's details on page 3.

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*Public Interest Compliance*

Staff finds that the transaction will not affect PGE's ability to perform its public duties, will not harm customers, and will not impede the Company's ability to provide safe and reliable service in the area consistent with the public interest.

*Records Availability, Audit Provisions, and Reporting Requirements*

Condition Numbers 3 and 4 listed in the Staff recommendations afford the necessary Commission examination of PGE's books and records concerning the sale.

Staff further notes that the Commission retains the ability to review all property sales and lease agreements entered by the Company through general rate case filings. Staff's recommendation affords the Commission the ability to exam PGE's books and records concerning the Agreement as necessary.

PGE has reviewed this memo and has not communicated any objections or concerns.

Conclusion

Based on the review of PGE's Application, Staff concludes The Commission should approve the Agreement, 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 Commission reserves the right to review, for reasonableness, financial aspects of this arrangement in any rate proceeding.
3. PGE shall provide the Commission access to all books of account, as well as documents, data, and records that pertain to the sale or agreement of the property with Trackers. In addition, PGE shall seek prior Commission approval for any future property transactions pursuant to ORS 757.480.
4. The final journal entry recording the transaction shall be submitted to the Commission within 60 days after the transaction closes.

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**PROPOSED COMMISSION MOTION:**

Approve PGE's Application for Approval of the Sale of PGE Property in the City of Sandy (Roslyn Lake), subject to Staff's recommended conditions.

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