

ORDER NO. 19-019

ENTERED Jan 18 2019

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 383

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

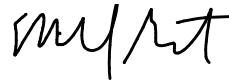
Application for Approval to Sell a Portion of
the Scholls Ferry Substation Property in
Beaverton, Washington County, Oregon.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 15, 2019, 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:



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.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 15, 2019

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: January 2, 2019

TO: Public Utility Commission

FROM: Kathy Zarate *VZ*

THROUGH: *EPW* Jason Eisdorfer and *Jc* John Crider

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 383) Requests
Approval of the Sale of Property to PGE in the County of Washington.

STAFF RECOMMENDATION:

The Public Utility Commission (Commission) should approve Portland General Electric's (PGE or Company) Application for Approval of the Sale of Property in the County of Washington, Oregon (Scholls Ferry Substation Parcel) (Application), 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. The gain resulting from the transaction should be placed into the Property Sales Balancing Account until such time as it can be returned to customers.
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 Tigard to Washington County, Oregon (Scholl Ferry Substation Parcel.)

Applicable Rule or Law

ORS 757.480(1) requires public utilities doing business in Oregon to seek Commission approval prior to 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 required to support a request for the approval of the lease or property. OAR 860-027-0025(1)(I) requires that the applicant show that the proposed lease will be consistent with the public interest. The Commission has interpreted the phrase "consistent with the public interest" as used in this rule to require a showing of "no harm" to the public.

Analysis

On October 16, 2018, PGE filed its Application for Approval of the Sale of Certain Property described in the Purchase and Sale Agreement (PSA), between PGE and Washington County. PGE owns approximately 3.15 acres, which is the subject of this Application, located in the City of Tigard, Oregon, in Washington County. PGE purchased the property in 2009 for the development of its Scholls Ferry Substation and uses the property for both distribution and transmission services. PGE proposes to sell, in lieu of condemnation, approximately 12,084 square feet of this property hereinafter referred to as the "Right-of-Way Parcel" to Washington County ("County"). The transaction also involves the grant of a Temporary Construction Easement beginning April 1, 2018 through September 30, 2020 that consists of 1,069 square feet of land (Parcel 2).

The County has the authority to acquire this Right-of-Way Parcel through its exercise of eminent domain and right of way acquisition and is acquiring the Right-of-Way Parcel for road improvements on SW Roy Rogers Road.

PGE notes that it has been in negotiations with Washington County since June 2018, which resulted in the agreement to sell, in lieu of foreclosure, the Right of Way Parcel and the grant of a temporary construction easement over Parcel 2 for \$219,400.

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PGE and the County of Washington have also been in negotiations involving the County's commitment to equipment protection and property restoration pursuant to an Obligation Agreement, and at the same time, PGE has received confirmation from the City of Tigard that the taking of this Right-of-Way Parcel will not affect Land Use compliance requirements.

Washington County retained Lingeman Valuation & Consulting for an independent property evaluation and to research market conditions. Based on this evaluation, PGE and Washington County agreed to a purchase price of \$219,400, which is due and payable in cash to PGE upon closing of the sale. The Dedication Deed and Construction Obligation Agreement will be executed upon Commission approval of the sale of the Right-of-Way Parcel.

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 response to three Staff information requests.

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 purchase price is \$219,400. The book value (cost) included in Electric Plant-in-Service, FERC account 101, of the Property sold is \$156,138. The gain on the sale realized is \$63,262.

PGE did not solicit an additional third party evaluation for the land subject to sale. Staff asked PGE why a third party evaluation was not sought by PGE, to which PGE replied that this small condemned parcel is already encumbered by numerous easements and is currently used for secondary access and screening only. The plans provided by the condemning authority show that the parcel will be landscaped to provide screening at no cost to PGE and according with the company, PGE's property Services Manager has

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thirty-six years of experience in the local real estate industry and believes the Lingeman Valuation & Consulting appraised value to be fair and reasonable.¹

PGE has not incurred any outside legal costs associated with this transaction.²

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. Furthermore, customers will benefit from the deferral of the gain, which equals to approximately \$63,262, for property that was not otherwise necessary for the provisions of utility services.

Records Availability, Audit Provisions, and Reporting Requirements

PGE records deferral of property gains to FERC Account 407.3 (debit). The deferred gain of \$63,262 will be recorded to FERC Account 254 (credit).

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

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 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. The gain resulting from the transaction should be placed into the Property Sales Balancing Account until such time as it can be returned to customers.

¹ PGE's response to Staff's Information Request No. 3.

² PGE's response to Staff's Information Request No. 2.

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4. The final journal entry recording the transaction shall be submitted to the Commission within 60 days after the transaction closes.

PROPOSED COMMISSION MOTION:

Approve PGE's Application for Approval of the Sale of Property in the County of Washington, Oregon (Scholls Ferry Substation Parcel) subject to Staff's recommended conditions.

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