

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 418

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Approval of Property Sale in
Gresham, Oregon.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on July 12, 2022, 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 "Nolan Moser".

Nolan Moser
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: July 12, 2022**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A**

DATE: July 5, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Matthew Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UP 418)
Portland General Electric requests approval for sale of property in
Gresham, Oregon.

STAFF RECOMMENDATION:

I recommend the Commission approve Portland General Electric Company's (PGE or Company) sale of property in Gresham, Oregon, subject to the following four Staff-proposed conditions (Conditions):

1. PGE shall notify the Commission in advance of any substantive change to any agreement filed in this proceeding, including any material changes in price. Any changes to the terms that alter the intent and extent of activities under the agreements 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 City of Gresham, Oregon.
4. PGE will defer the gain of the property sale (approximately \$617,667) and will place the gain in the property sales balancing account, FERC Account 254, to allow return of the gain to PGE customers.
5. The final journal entry recording the transaction shall be submitted to the Commission within 60 days after the transaction closes.

Docket No. UP 418
July 5, 2022
Page 2

DISCUSSION:

Issue

Whether the Commission should approve PGE's Application for sale of property located in Gresham, Oregon.

Applicable Rule or Law

Pursuant to ORS 756.040, the Commission's obligation, broadly speaking, is to obtain adequate service for customers at fair and reasonable rates while at the same time balancing the interests of the utility's investors.

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 \$1 million 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 sale, lease, assignment or disposal of utility property.

OAR 860-027-0025(1)(I) requires that the applicant show that the proposed transaction is 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."¹

Analysis

PGE owns a property located in Gresham, Oregon, that consists of 25,523 square feet (.586 acres) of land with a 7,169 square foot commercial office building (Property) that was formerly one of PGE's Community Service Offices (CSO).

PGE filed its Application on April 22, 2022, requesting approval from the Commission for the asset sale transaction described in the Purchase and Sale Agreement (Agreement) between PGE and David Andersen and Michelle Blevens.

PGE asks for Commission approval to sell the 7,169 square foot building, formerly housing the Gresham Customer Service Office sited on a 25,523 square foot site, to David Andersen and Michelle Blevens (Buyer). The Real Estate Purchase and Sale Agreement, dated September 24, 2021, is included in PGE's filing as Exhibit I.

¹ 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).

Docket No. UP 418
 July 5, 2022
 Page 3

The original cost of the property was \$1,358,342 as listed in Exhibit J, FERC Account 101, and Exhibit L, Total Book Cost. As described in the Agreement, PGE will sell the property in Gresham, Oregon.

Nevertheless, for valuation purposes, an independent Member Appraisal Institute (MAI) inspected the property and researched general market conditions.² The appraisal yielded a value of the property at \$1,255,000, and PGE agreed to sell the Property at the appraised value.

Staff investigated the following issues:

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

Terms and Conditions of the Agreement

Staff's review of the Agreement did not identify any unusual or restrictive terms or conditions. This transaction will not impair PGE's ability to continue the provision of reliable electric service to its customers.

Transfer Pricing

The total purchase price of \$1,255,000 is due and payable in cash to PGE upon closing of the sale. The net book value of the Property is \$552,333.³

	Net Proceeds⁴
Selling Price	1,255,000
Book Value (original Costs less Accumulated Reserve)	(552,333)
Selling Expenses	(85,000)
Gain(loss) Realized	617,667

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.

² See, OPUC Confidential Information Request No. 8.

³ See, OPUC Docket No. UP 418, Portland General Application for Approval of Property Sale in Gresham, Exhibit J.

⁴ See, OPUC Information Request No. 2.

Docket No. UP 418
July 5, 2022
Page 4

Records Availability, Audit Provisions, and Reporting Requirements

The book value (cost) included in their records the gain from the sale in FERC Account 254, Other Regulatory Liabilities. In addition, the property was included in rates since 1946.⁵

Furthermore, PGE will defer on the sale of the property of approximately \$617,667. The Company has agreed to place the gain in the property sales balancing account, FERC Account 254, to allow return of the gain to customer.

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 four conditions (Conditions):

1. PGE shall notify the Commission in advance of any substantive change to any agreement filed in this proceeding, including any material changes in price. Any changes to the terms that alter the intent and extent of activities under the agreements 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 City of Gresham, Oregon.
4. PGE will defer the gain of the property sale (approximately \$617,667) and will place the gain in the property sales balancing account, FERC Account 254, to allow return of the gain to PGE customers.

⁵ See, OPUC Information Request No.5.

Docket No. UP 418
July 5, 2022
Page 5

5. 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 sale of property in Gresham, Oregon, subject to Staff's recommended Conditions.

PGE UP 418 Property Sale