

ORDER NO. 25-367

ENTERED Sep 17 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 432

In the Matter of Joint Application

PORTLAND GENERAL ELECTRIC
COMPANY,

Request for Approval of the Sale of the
Kelso-Beaver Pipeline to Northwest
Pipeline, LLC

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 16, 2025, 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:



Alison Lackey
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.

ITEM NO. CA5

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 16, 2025**

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

DATE: August 26, 2025

TO: Public Utility Commission

FROM: Ming Peng

THROUGH: Scott Gibbens and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC COMPANY:
(Docket No. UP 432)
Request for approval of the sale of the Kelso-Beaver Pipeline plant.

STAFF RECOMMENDATION:

Staff recommends that the Oregon Public Utility Commission (Commission) approve Portland General Electric Company's (PGE or Company) proposed sale of the Kelso-Beaver (KB) Pipeline plant subject to the following Staff recommended conditions (Conditions):

1. The Company shall notify the Commission in advance of any substantive change to the purchase and sale agreement, 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 agreement in any future rate proceeding.
3. Portland General Electric shall provide the Commission with access to all books of account, as well as documents, data and records that pertain to this purchase and sale agreement.
4. The final journal entry recording for transactions under this purchase and sale agreement shall be submitted to the Commission within 60 days after a transaction closes.

Docket No. UP 432
August 26, 2025
Page 2

5. The Company shall notify Staff and stakeholders via testimony, or within the minimum filing requirement “step log” of any changes to the cost of transporting gas along the KB pipeline in future AUT or other power cost recovery filings. Further PGE will provide an explanation for any increase(s) of over 10 percent year-over-year for services associated with the KB pipeline.

DISCUSSION:

Issue

Whether the Commission should approve PGE’s application for the sale of the KB Pipeline plant.

Applicable Rule or Law

ORS 757.480 provides that a utility shall obtain the Commission’s approval prior to selling or leasing property used to provide utility service.

OAR 860-027-0025(1)(I) requires the applicant to show that the property sale will be consistent with the public interest. The Commission has interpreted the phrase “consistent with the public interest” to require a showing of “no harm to the public.” See, e.g., *In the Matter of the Application of PacifiCorp*, Order No. 00-112 at 6 (2000); *In the Matter of the Application of Portland General Electric*, Order No. 99-730 at 7 (1999).

Analysis

Background

The Kelso-Beaver Pipeline is a natural gas pipeline with associated facilities spanning approximately 17 miles from Cowlitz County, Washington, to Columbia County, Oregon. PGE has proposed selling the Kelso-Beaver Pipeline to Northwest Pipeline Company, a natural gas transporter, for \$1.4 million. Northwest Pipeline has agreed to pay the net book value at closing, with the transaction expected to close in early 2026.

PGE provided the following information in its filing application:

- The pipeline is co-owned by PGE (79.5 percent), Northwest Natural (NWN) (10 percent), and US Gypsum (10.5 percent).
- In early 2021, NWN inquired about PGE’s interest in selling the KB Pipeline to Northwest Pipeline. PGE then formed an internal team to evaluate the transaction.
- PGE, NWN, and US Gypsum entered negotiations in early 2022, with US

Docket No. UP 432
August 26, 2025
Page 3

Gypsum formally joining in June 2022.

- PGE discussed two agreements involved in this transaction in its application:
 1. The Purchase and Sale Agreement (PSA), which governs the terms of the pipeline sale.
 2. The Transportation Service Agreement (TSA), which preserves PGE's current pipeline capacity rights until 2040.
- In June 2024, PGE, NWN, and US Gypsum signed a PSA with Northwest Pipeline, a Houston, Texas-based company, with the transaction expected to close in early 2026.
- Northwest Pipeline has agreed to purchase the KB Pipeline at net book value, estimated at \$1.8 million for all co-owners (\$1.4 million for PGE). The final amount will be determined at closing.

PGE asserts that:

- The sale will relieve PGE customers of liabilities and capital carrying costs associated with the pipeline.
- A Transportation Service Agreement (TSA) will ensure PGE retains its current capacity levels (159,726 Dth/day) until 2040.
- The transaction aligns with PGE's obligations under HB 2021 to become carbon-free by 2040.

Northwest Pipeline's core business is pipeline operation, which PGE claims will reduce risk and cost for PGE's Oregon utility customers.

Overview

PGE proposes selling the KB Pipeline for \$1.4 million, which is only 36 percent of the pipeline's estimated 2025 Net Book Value (\$3.86 million). The other 64 percent of the 2025 net book value is associated with the removal of negative net salvage from PGE's books as salvage responsibility moves to Northwest Pipeline through the sale. Northwest Pipeline has agreed to pay the net book value at closing, with final pricing subject to adjustment.

Issues

Staff investigated the following issues:

1. Scope and Terms of the PSA and TSA
2. Allocation of Gain
3. Public Interest Compliance

Docket No. UP 432
August 26, 2025
Page 4

Scope and Terms of the PSA and TSA

In reviewing the PSA and TSA and accompanying exhibits, Staff did not identify any unusual or restrictive terms or conditions, but Staff relies on the PGE's representations of slight overall benefits from the sale in making recommendations herein. The PSA, which outlines the terms of the sale, transfers all liabilities and ownership to Northwest Pipeline. The TSA guarantees PGE its current level of capacity on the pipeline until House Bill (HB) 2021 becomes fully binding in 2040. The PSA further allows PGE to continue to maintain that level of capacity on a five-year rolling basis beyond 2040 if the Company chooses.

Allocation of Gain

Staff notes that due to the sale price being set at net book value, there is no direct gain from the sale of the asset. Staff has concerns about the way the Company has recorded the sale, a direct comparison of net book value to sale price does not equal until negative net salvage is accounted for. Staff further notes that the Company has agreed to reduce its requested rate change in UE 452, the Company's Annual Update Tariff which forecasts power costs by \$972 thousand to reflect the reduction in revenue requirement from PGE's last general rate case. PGE states that the current forecast of incremental value of the sale is approximately \$600 thousand in savings per year. This gain is realized through a reduction to revenue requirement offset by an increase in gas transportation and will be allocated based on the outcome of PGE's next general rate case or further agreements in PGE's future power cost dockets.

Public Interest Compliance

Staff generally applies a "no harm" standard to property sales to ensure compliance with public interests. There are generally two areas in which ratepayers may be harmed through the sale of the KB pipeline. The first is through reduced access to gas supply across the region and the second is increased costs resulting from additional transportation of gas along the pipeline.

In response to Staff's first concern, PGE notes that the Company is already wholly reliant on NW Pipeline for its natural gas transportation to the Westside Thermal plants as it is the only entity that is interconnected to the KB Pipeline. Staff understands that part of the impetus for the sale is so that NW Pipeline can expand the capacity of the KB Pipeline allow bi-directional flow that would increase the strategic value of the North Mist storage facility. The Company states that due to this, NW Pipeline is incentivized to maintain the pipeline as part of their core business. The Company further notes that the KB Pipeline is the only pipeline that PGE currently owns, with all the other natural gas pipes required to operate its thermal fleet being owned by third party pipeline operators. The Company sees this sale as a consolidation of its operations towards its core business competencies, reducing risk and improving efficiency.

Docket No. UP 432
August 26, 2025
Page 5

Related to Staff's second concern, the Company notes that NW Pipeline is rate regulated by FERC. In conversations with the Company, Staff understands that PGE does not believe that the incremental investment to increase capacity on the pipeline will be wholly paid for by new subscribers to the pipeline with no impact to PGE or its customers. The Company expects to pay the same rate to transport gas along the KB Pipeline as it does to transport the gas from the natural gas hubs to Kelso. Staff appreciates the Company's position, but believes that it is appropriate to include conditions on the Commission's approval requiring PGE to notify the Commission if the price to transport gas changes so that parties can evaluate the reasonableness of cost recovery from ratepayers. This adds an additional layer of transparency and helps ensure that the sale of the pipeline remains in the public interest.

Staff was also concerned that PGE could reducing the Company's pool of qualified assets supporting the Company's ability to issue first mortgage bonds (FMB).

And while the Company represents the sale of KB pipeline as a movement toward lower fossil fuel intensity, PGE natural gas fired resources served by the KB pipeline will still be integral to grid reliability for many in the future. The Company's ability to provide nimble grid responsive generation to support renewable integration is dependent of resources supplied by the KB pipeline. In response, the Company states that NW Pipeline will provide reliable natural gas supplies to PGE's critical generating and grid responsive resources.

Conclusion

Staff views the sale of the KB Pipeline as presenting some incremental benefit along with some incremental risk. Staff sees value in focusing the Company's operations more on the utilities core competency, reduction in costs for customers, and a regional benefit to potentially allow better utilization of the North Mist storage facility. However Staff notes that the sale does further reduce the Company's asset base beyond what is being requested by the Company in UM 2385, increases the reliance on NW Pipeline for gas delivery, and poses some additional price risk for gas delivery to the West Side thermal plants. Staff believes that with the conditions proposed by Staff, most of the risks can be effectively mitigated, while other risks are alleviated by federal oversight or are otherwise relatively small. For those reasons, Staff recommends the Commission approve the sale of the KB Pipeline subject to the conditions proposed by Staff.

The Company has reviewed a draft of this memo and agrees with its contents.

Docket No. UP 432
August 26, 2025
Page 6

PROPOSED COMMISSION MOTION:

Approve the proposed sale of the Kelso-Beaver (KB) Pipeline plant subject to the Conditions outlined in Staff's memo.

CA5 - PGE UP 432 Sale of KB Pipeline.