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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UP 176

In the Matter of the Application of	)	
PORTLAND GENERAL ELECTRIC	)	ORDER
COMPANY in Regard to the Sale of	)	
Property.	)	

**DISPOSITION: APPLICATION APPROVED**

On April 19, 2000, Portland General Electric Company (PGE) filed an application with the Commission requesting approval of the sale of a portion of the Pelton-Round Butte Hydroelectric Project (PRB Project or Project) to the Confederated Tribes of the Warm Springs Reservation (the Tribes). Jefferson County intervened in the docket.

The PRB Project is located on the Deschutes River in Jefferson County. The Project was built between 1957 and 1964 and has a total capacity of 427 MW. PGE's current Federal Energy Regulatory Commission (FERC) operating license will terminate on December 31, 2001.

About one-third of the PRB Project is located on the Tribes' reservation lands. Under Section 10(e) of the Federal Power Act, PGE currently makes annual payments to the Tribes for the Project's use of reservation lands. The annual payments are changed every 5 to 10 years through arbitration or FERC proceedings. Renegotiation has been contentious and costly. The 1999 payment to the Tribes was \$11,192,706. The current annual payment agreement will terminate on December 31, 2001.

For several years, PGE and the Tribes have been developing separate license applications and competing for the post December 31, 2001 FERC operating license. In December 1999, each party filed a new license application for the PRB Project with FERC. The proposed Settlement Agreement between PGE and the Tribes resolves the competing license situation and is intended to align the parties' economic interests and promote long-term cooperation between PGE and the Tribes. If the Commission approves the Agreement, the parties will file a joint PGE/Tribes license application with FERC for the Project and will apply to the state for Project reauthorization.

Under the Agreement, PGE agrees to sell to the Tribes, at net book value (about \$15.5 million), a one-third share ownership interest in the PRB Project. PGE agrees to sell an additional one-sixth share at the end of 2021, and a final .02 percent share at the Second Purchase Date (no later than December 31, 2036). The Tribes in exchange agree to

release PGE from any further Tribal claims for Federal Power Act Section 10(e) payments. The Tribes agree not to seek any further consideration in connection with PGE's activities related to the PRB Project.

Staff reviewed PGE's application pursuant to OAR 860-027-0025(1)(1). The rule requires PGE to show that the proposed sale of a portion of the Project "will be consistent with the public interest." Staff reviewed the financial impacts of the sale of a portion of the Project. Staff also considered whether the PRB asset sale benefits PGE's customers and is consistent with the public interest. Finally, Staff evaluated the concerns expressed by Jefferson County about the effect of the sale on its tax base.

A more detailed description of the application, the agreement between PGE and the Tribes, Staff's review, and Jefferson County's position, is included in Staff's public meeting memo, attached to this order as Appendix A and incorporated herein by reference.

Staff presented its recommendation to approve the sale at the August 22, 2000 public meeting. The Commission accepted Staff's recommendation.

This transaction will provide long-term benefits to PGE's customers and is in the general public interest. ORS 757.259(2)(e) authorizes deferral of amounts to match the costs borne by and benefits received by customers. Therefore, for accounting purposes, Staff's recommendation to approve PGE's request for deferral of \$5.070 million in transition costs for later ratemaking treatment is adopted.

### **ORDER**

IT IS ORDERED that PGE's application to sell up to a 50.01 percent ownership interest in the Pelton-Round Butte Hydroelectric project to the Confederated Tribes of the Warm Springs Reservation is approved.

Made, entered, and effective \_\_\_\_\_.

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**Vikie Bailey-Goggins**  
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. The request must be filed with the Commission within 60 days of the date of service of this order and must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.