

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 22, 2004**

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

DATE: June 11, 2004

TO: Lee Sparling through Marc Hellman and Rebecca Hathhorn

FROM: Marion Anderson

SUBJECT: PORTLAND GENERAL ELECTRIC COMPANY: (Docket No. UP 215)
Application for Approval to Sell Property to MK Development, LLC.

STAFF RECOMMENDATION:

The Commission should approve the sale of land by Portland General Electric Company (PGE) to MK Development, LLC with the following conditions:

1. In accord with the docket UE 115 stipulation, the loss on the sale will be directed to a balancing account as a reduction in the later refund to ratepayers.
2. Written confirmation that the proposed journal entry recording the transaction has been made will be submitted to the Commission in the appropriate quarterly report.

DISCUSSION:

This application was filed on May 11, 2004, pursuant to ORS 757.480 and OAR 860-027-0025. The property at issue consists of 1.055 acres of land and a building of about 9,000 square feet. This parcel was the location of PGE's Laboratory Testing Services Division. That function was outsourced in 2000 and the Commission, in Order No. 00-464, dated August 22, 2000, approved the sale of lab equipment. The property has been largely vacant since and is now not longer used and useful in the provision of PGE's services with the exception of transmission. This function will be covered by PGE's retention of a perpetual electric power line easement and right-of-way.

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The parcel's net book value is \$690,867 (\$1,339,441 original cost less accumulated depreciation of \$648,574). Selling expenses total \$68,800. At the sale price of \$650,000 per the February 23, 2004 agreement, the realized loss amounts to \$109,667.

A copy of the summary evaluation dated August 28, 2002, was submitted by PGP Valuation Inc. showing an appraisal price of \$760,000. At the request of PGE, Real Property Consultants conducted a subsequent appraisal and issued a report dated February 11, 2003, showing a reduced price for the parcel of \$630,000. The proposed entries were submitted with the application and met with staff's approval. PGE has agreed to the treatment of the loss listed in this memorandum.

Staff concludes that the application is fair and reasonable and not contrary to the public interest.

PROPOSED COMMISSION MOTION:

The requested property sale by Portland General Electric Company to MK Development, LLC be approved with the conditions stated in this memorandum.