

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 2, 2010**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **NA** _____

DATE: January 26, 2010

TO: Public Utility Commission

FROM: Marion Anderson

THROUGH: Lee Sparling, Marc Hellman, and Michael Dougherty

SUBJECT: CASCADE NATURAL GAS: (Docket No. UP 256) Application for the sale of business office property located in Bend, Oregon.

STAFF RECOMMENDATION:

The Public Utility Commission (PUC or the Commission) should approve the application for property sale by Cascade Natural Gas Corporation (Cascade or the Company) with the following conditions:

1. Cascade shall provide the Commission access to all books of account, as well as all documents, data, and records that pertain to this sale of water properties.
2. The Commission reserves the right to review for reasonableness all financial aspects of this transaction in any rate proceeding or earnings review under an alternative form of regulation.
3. Cascade shall notify the Commission in advance of any substantive changes to this sale, including any material changes in price.
4. The gain on this sale will be applied as a credit to the accumulated depreciation reserve.

DISCUSSION:

This application was filed on December 8, 2009, pursuant to ORS 757.480 and OAR 860-027-0025. This facility is being replaced by an affiliated interest property (combining office and shop space) purchase under concurrent Docket UI 290 and is thereby no longer used and useful plant. The current \$62,000 per annum city of Bend

shop leasing arrangement, associated with this office building, will also end as a result of the purchase.

Staff investigated the following issues:

1. Scope and Terms of the Sales Agreement
2. Allocation of Gain
3. Public Interest Compliance
4. Records Availability, Audit Provisions, and Reporting Requirements

Scope and Terms of the Sales Agreement

The agreement was prepared by the Company's parent's legal department and closely follows the UI 290 contract write-up. The sale price is \$1,500,000 with a recognized gain of \$319,149 from the sale of the land and \$438,119 from the sale of the building. The purchaser is the non-affiliated Central Oregon Intergovernmental Council.

Allocation of Gain

The gain will be applied as a credit to the accumulated depreciation reserve to offset the cost associated with the new facility (UI 290). No balancing account exists or given the lack of rate base sale expectations, is needed. The commonly used method of pass through ratepayer benefit is foregone.

Public Interest Compliance

The sale conforms to the no harm standard used by the Commission because the property at issue is no longer used and useful, and is being sold at a gain.

Records Availability, Audit Provisions, and Reporting Requirements

Staff Recommendation Condition No. 1 affords necessary access to any relevant records.

After review of the filing, staff concludes that the application is fair, reasonable, and not contrary to the public interest.

PROPOSED COMMISSION MOTION:

The sale of the business office property located at 334 N.E. Hawthorne Avenue, Bend, Oregon to the Central Oregon Intergovernmental Council be approved with the conditions stated in this memorandum.