

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 21, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: April 8, 2016

TO: Public Utility Commission

FROM: Laurel Anderson *LA*

THROUGH: Jason Eisdorfer, Bryan Conway, and Roger White *JE* *BC* *RW*

SUBJECT: CENTURYTEL OF OREGON, INC. DBA CENTURYLINK: (Docket No. UP 339) Requests approval of sale of land located in Lebanon, OR to private buyer.

STAFF RECOMMENDATION:

The Commission should approve the application by CenturyTel of Oregon, Inc. (CenturyTel or the Company) to sell the real property located in Linn County, Oregon, commonly known as Airway Drive, Airway Subdivision, Lebanon, Oregon to a confidential buyer for development purposes, subject to the conditions described below.

DISCUSSION:

This application was filed on March 22, 2016, pursuant to ORS 759.375 and OAR 860-027-0025.

The transaction involves the sale of a ten acre parcel of vacant land. The land is not used to support CenturyLink's operations in the area and contains no improvements to the property. The buyer of the property is an unrelated LLC who is purchasing the property for potential future undisclosed development.

Staff investigated the following issues:

- Scope and Terms of the Real Estate Sales Agreement
- Allocation of Gain
- Public Interest Compliance

Scope and Terms of the Real Estate Sales Agreement

The property designated for sale consists of a ten-acre parcel of vacant land in Linn County, Oregon. The property is in Lebanon, in the Airway Subdivision, and on what is commonly known as Airway Drive. This land is vacant, contains no improvements to the property, and is not used to support CenturyLink's operations in the area.

Allocation of Gain

The financial data pertaining to this application was submitted to the Commission under a confidential designation. The amount of the gain on the sale is, therefore not included in this memo.

The standard Commission treatment for transfer of the benefits of gains to ratepayers is the creation of a balancing account with interest thereon accruing at the approved rate schedule. However, due to the infrequency of telecommunications rate filings, the standard treatment of gains for telecommunications utilities has been a rate base offset. Therefore, Staff recommends that the gain be applied as a rate base offset.

Public Interest Compliance

CenturyTel's sale of the land is in the public interest pursuant to ORS 759.375. The land is not used and sits vacant; it does not contain switches, cables or network assets required for the Company to operate its network in Oregon. Therefore, the Company does not consider this property necessary or useful in its provision of services to the public.

The sales price was determined after consultation with a local real estate broker who performed a comparative market analysis and represented CenturyTel in marketing the property and identifying the buyers. The selling price represents the appropriate market value for the area, and gives the Company a substantial gain on its original investment.

The proposed sale allows the company to avoid certain recurring expenditures associated with the property and will free up financial resources which can be directed to the provision of telecommunications services in Oregon.

CONDITIONS:

The following conditions afford the Commission the necessary examination of CenturyTel's books and records concerning the sale.

1. CenturyTel shall notify the Commission in advance of any substantive changes to the transfer of telecommunications property, including any material changes in price.
2. The gain on the sale (non-depreciable real property) will be applied as a rate base offset.

PROPOSED COMMISSION MOTION:

CenturyTel of Oregon's application to sell the vacant 10 acres of land in Lebanon, Oregon to a confidential buyer be approved subject to Staff's recommended conditions stated in this memorandum.