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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UP 195

In the Matter of)	
)	ORDER
UNITED TELEPHONE COMPANY OF THE)	
NORTHWEST, dba SPRINT)	
)	
Application for Approval of the Sale of a Building)	
Located in Hood River, Oregon.)	

DISPOSITION: APPLICATION GRANTED; WITH CONDITIONS

On June 17, 2002, the Public Utility Commission of Oregon (Commission) received an application from United Telephone Company of the Northwest, dba Sprint, pursuant to ORS 759.375 and OAR 860-027-0020, requesting approval of the sale of a building located in Hood River, Oregon.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on July 9, 2002, the Commission adopted Staff's recommendation to approve the sale. Staff's recommendation is attached as Appendix A and is incorporated by reference.

OPINION

Under ORS 759.375, a telecommunications utility doing business in Oregon shall first obtain Commission approval for any transaction to sell, lease, assign or otherwise dispose of property.

OAR 860-027-0025 specifies the information required for applications for authority to sell, lease, assign, mortgage, merge, consolidate or otherwise dispose of property. This application contains the necessary information.¹

Commission approval of the accounting treatment for this transaction does not constitute approval for ratemaking purposes. There is no indication that the proposed sale will impair United Telephone Company of the Northwest, dba Sprint's abilities to provide public utility service in Oregon.

¹ Both the application and Staff 's June 29, 2002 Public Meeting Memo referenced OAR 860-027-0020. However, the correct administrative rule is OAR 860-027-0025.

ORDER

IT IS ORDERED that the application of United Telephone Company of the Northwest, dba Sprint, requesting approval of the sale of a building located in Hood River, Oregon, is granted, subject to the conditions, as further described in Appendix A.

Made, entered and effective _____.

BY THE COMMISSION:

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. CA4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 9, 2002**

REGULAR _____ CONSENT X EFFECTIVE DATE _____

DATE: June 27, 2002

TO: John Savage through Marc Hellman and Rebecca Hathhorn

FROM: Mike Dougherty

SUBJECT: SPRINT/UNITED TELEPHONE CO OF THE NORTHWEST: (Docket No. UP 195) Application for authority to sell a building located in Hood River, Oregon.

STAFF RECOMMENDATION:

The Commission should approve the requested building sale with the following conditions:

1. Sprint/United Telephone Co. of the Northwest (Sprint) shall provide the Commission access to all its books of account, as well as all its documents, data, and records that pertain to the building sale to Hood River County.
2. The Commission reserves the right to review for reasonableness all financial aspects of this transaction in any rate proceeding or alternative form of regulation.
3. Sprint shall notify the Commission in advance of any substantive changes to both the Sale and Lease Agreements, including any material changes in price or cost. Any changes to the terms which alter the intent and extent of activities under the Agreements from those approved herein shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.

DISCUSSION:

Background

United Telephone Company of the Northwest *dba* Sprint (Sprint) filed this application on

June 17, 2002, pursuant to ORS 759.375 and OAR 860-027-0020. The company seeks a Commission order authorizing the sale of the Dean Building (building) located at 601 State Street, Hood River, Oregon to Hood River County (County). The sale will be accomplished pursuant to a Sale Agreement (the Agreement) between Sprint and the County, dated May 29, 2002.

The purchase price to be paid by the County is \$1,700,000. The County paid \$85,000 in earnest money and will pay \$1,615,000 at closing (upon receipt of the Commission's approval). In addition, as part of the Agreement, Sprint will expend \$160,000 of the sale proceeds to make improvements to the building. These improvements include a firewall between the switch space and County occupied space and additional restroom facilities for collocated Competitive Exchange Carriers

Sprint is selling the building because it has not fully occupied the building since 1998 and will not have to use all the space in the building (34,862 square feet). Currently, the building is partially occupied by Sprint (5,377 square feet) and the County's 911 Call Center (2,679 square feet). The County will use the building to address current space restrictions at its public library.

As part of the transaction, Sprint and the County will enter into a mutually acceptable Lease Agreement (Lease) for space in the building where Sprint will lease 8,119 sq. ft. for general office use and housing of required equipment. Sprint plans to lease more space that is currently being used to allow for collocations of Competitive Exchange Carriers. This is a ten-year lease with the option to renew the lease for three successive terms of five years each. Sprint will pay the County the sum of \$.40 per square foot / month (does not include any taxes, insurance costs or utility charges) for the 8,119 square feet, resulting in a total lease payment of \$3,247.60 per month. The Lease will be increased 2.5% per year for the original ten-year term.

Issues

Staff investigated the following issues:

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

Scope and Terms of Agreements – Based upon my analysis of both the Sale and Lease Agreement, there appears to be no unusual or restrictive terms that will harm customers.

Allocation of Gain – Staff reviewed Sprint's analysis of the building sale which results in a gain to reserve of \$241,533 and a rate base adjustment for sale of \$529,035, totaling a \$770,568 reduction in the unadjusted Oregon Intrastate Rate base from \$57,659,740 to an adjusted Oregon Intrastate Rate base of \$56,889,172. Staff concurs with Sprint's analysis as ratepayers will receive 100% of the Intrastate adjusted benefit from the gain on the sale of the building, building equipment and land investments.

Public Interest Compliance – Sprint's sale of the building is in the public interest (customarily a no harm standard applied by the Commission) as required pursuant to ORS 759.375. The County agreed to purchase the building for \$1,700,000 which is slightly higher than the appraised value that was conducted on behalf of Sprint. Additionally, since Sprint does not need to use the total area of the building, selling the building will result in cost avoidance associated with operating and maintaining the building.

Sprint's customers are not harmed by this transaction and actually benefit from the sale as a result of the gain on sale and avoided annual operational and maintenance costs of the building.

Records Availability, Audit Provisions and Reporting Requirements - The proposed ordering condition No. 1 provides the necessary records access to Sprint's relevant books and records.

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

PROPOSED COMMISSION MOTION:

Sprint/United Telephone Co. of the Northwest's UP 195 application for authority to sell a building, including the three conditions stated in this memorandum, be approved.