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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UP 212

| | | |
|--|---|-------|
| In the Matter of |) | |
| |) | ORDER |
| QWEST CORPORATION |) | |
| |) | |
| Application for Authorization to Sell Certain |) | |
| Utility Property and Request for Permission to |) | |
| Use Short Form Application. |) | |

DISPOSITION: APPLICATION APPROVED

On March 19, 2004, the Public Utility Commission of Oregon (Commission) received an application from Qwest Corporation (Qwest), pursuant to ORS 757.480, ORS 759.375 and OAR 860-027-0025, requesting approval of the sale of property by Qwest to TCR Pacific Northwest II, Inc. (TCR). Due to labor force downsizing, the facility is no longer used and useful.

Upon Qwest's election of price cap regulation, issues arose and discussions between Qwest, Staff, and the Attorney General's office resulted in a memorandum of understanding signed by the parties. The memorandum developed guidelines on matters arising from the adjustment of basic telephone service rates pursuant to ORS 759.425. Under the guidelines, any gain or loss from the sale of an asset will not be accounted for as part of the revenue requirement, but Qwest will retain any gain or loss from the sale of its assets.

OPINION

Under ORS 757.480, a public utility doing business in Oregon shall first obtain Commission approval for any transaction to sell, lease, assign or otherwise dispose of property. 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 6, 2004, the Commission adopted Staff's recommendation to approve the sale of land by Qwest to TCR. Staff's recommendation is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that the application of Qwest Corporation is approved, and the abbreviated application procedure appropriate.

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. CA3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 6, 2004**

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

DATE: June 23, 2004

TO: Lee Sparling through Marc Hellman and Rebecca Hathhorn

FROM: Marion Anderson

SUBJECT: QWEST CORPORATION: (Docket No. UP 212) Application for Authorization to Sell Certain Utility Property and Request for Permission to Use Short Form Application.

STAFF RECOMMENDATION:

The Commission should approve the property sale by QWEST Corporation (QWEST) to TCR Pacific Northwest II, Inc.

DISCUSSION:

This application was filed on March 19, 2004, pursuant to ORS 757.480 and 759.375, and OAR 860-027-0025. The property at issue consists of "a network garage, including the land and all improvements in, upon and under the land (including all fixtures therein), located at 1600 NW 24th Avenue, Portland, Oregon 97210." The rationale for the sale is labor force downsizing. As a result, the facility is no longer used and useful utility property.

Commission Order No. 01-810, dated September 14, 2001, cited QWEST's election of price cap regulation effective December 30, 1999. The election ended traditional rate of return regulation for the company. The Staff review of this application and request for additional information raised issues attendant to that election and caused this matter to be the subject of discussions between the Staff, the Attorney General's office, and QWEST personnel. As a result of those negotiations, a memorandum of understanding, dated May 26, 2004, was signed by the parties developing guidelines on matters arising from the adjustment of basic telephone service rate pursuant to ORS 759.425.

APPENDIX A
PAGE 1 OF 2

The following is excerpted from that memorandum: ". . . Staff and Qwest agree that changes to items traditionally included in the revenue requirement of a telecommunications utility shall not be considered as factors relevant to the price of basic telephone services unless specifically provided by law. . . . The gain or loss arising from the sale of an asset would traditionally be accounted for as part of revenue requirement in a utility rate case. Thus, under the Guideline, Qwest is allowed to keep the gain, or must absorb the loss, when it sells its assets. . . ." The abbreviated application procedure being appropriate and the normal issues moot, Staff considers the transaction to be just and reasonable, and in the public interest.

PROPOSED COMMISSION MOTION:

The requested property sale by QWEST Corporation to TCR Pacific Northwest II, Inc., be approved.

UP 212