

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UP 219

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 January 21, 2005, the Public Utility Commission of Oregon (Commission) received an application from Qwest Corporation (Qwest), pursuant to ORS 759.375 and OAR 860-027-0025, requesting approval of the sale of property by Qwest to Unico Properties, Inc. (Unico). Due to a low occupancy rate, the property 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 759.375, 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 February 22, 2005, the Commission adopted Staff's recommendation to approve the sale of land by Qwest to Unico. 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 procedures are appropriate.

Made, entered, and effective MAR 01 2005.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 22, 2005**

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

DATE: January 31, 2005

TO: Public Utility Commission

FROM: Marion Anderson

THROUGH: Lee Sparling, Marc Hellman, and Rebecca Trujillo

SUBJECT: QWEST CORPORATION: (Docket No. UP 219) 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 Unico Properties, Inc. (Unico).

DISCUSSION:

This application was filed on January 21, 2005, pursuant to ORS 759.375 and OAR 860-027-0025. The sale price is \$11,250,000, consisting of a \$250,000 deposit with the remainder due at closing. The property consists of an administrative office building, including the land and all improvements in, upon and under the land (including all fixtures therein), located at 421 SW Oak Street, Portland, Oregon 97204.

This building has a low occupancy rate of approximately 36 percent which renders it no longer used and useful utility property. There are two positives to the sale, reducing unnecessary space and increasing utility cash flow. Further, the sale agreement provides for QWEST's leasing of necessary portions of the building for certain administrative operations to accommodate its strategic plan. These transactions comport with the statute. Staff is satisfied that the purchaser Unico, as a regional real estate company, has the technical expertise and financial standing to take over the property.

Commission Order No. 01-810, dated September 14, 2001, cited QWEST's election of price cap regulation effective December 30, 1999. That election ended traditional rate of return regulation for the company. Under the guidelines developed by Staff, the Attorney General's office, and QWEST in a memorandum of understanding, QWEST is allowed to keep the gain, or must absorb the loss, when it sells its assets. Accordingly, the request for an abbreviated filing is approved and 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 Unico Properties, Inc. be approved.