

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of)	DOCKET UT-120128
)	
QWEST CORPORATION d/b/a)	ORDER 01
CenturyLink QC)	
)	
For Order Approving an Agreement for)	
Transfer and Sale of 1600 - 7 th Avenue,)	ORDER GRANTING
Seattle, Washington)	APPLICATION
.....)	

BACKGROUND

- 1 On January 27, 2012, Qwest Corporation d/b/a CenturyLink QC (Qwest or Company) filed an application with the Commission pursuant to RCW 80.12 and WAC 480-143 requesting an order approving the sale of the land and building located at 1600 - 7th Avenue, Seattle Washington. On February 7, 2012, and February 8, 2012, Qwest supplemented the application by filing the Leaseback Agreement and the proposed journal entries. The Company supplemented the application again on March 12, 2012, by providing the First and Second amendments to Agreement for Sale and Purchase of Real Property and the Reinstatement of and Third Amendment to Agreement for Sale and Purchase of Real Property. On March 13, 2012, Qwest amended the application by providing a calculation of the gain on the sale to be shared with Washington customers and a description of the broadband deployment projects in selected unserved areas and fiber path projects the Company is reviewing on behalf of the Department of Defense and all other Federal Executive Agencies (DoD/FEA) in conjunction with the sale.
- 2 Under RCW 80.12.020 and WAC 480-143-120, a public service company must secure Commission approval prior to completing the sale of a property necessary or useful in the performance of its duties to the public.¹ WAC 480-143-120 requires that applications include details of the sale as well as the company’s current financial statements and

¹ Although Qwest is currently under an Alternative Form of Regulation (AFOR) which limits the applicability of RCW 80.12 to transactions exceeding \$15,600,000 (*see* Docket UT-061625 Order 06, ¶ 50), the value of this transaction is greater than \$15,600,000. Therefore, RCW 80.12.020 and associated commission rules are applicable.

copies of all transfer instruments. Pursuant to WAC 480-143-170, the Commission must approve the application if the transaction is in the public interest.

Discussion

- 3 Qwest's application is complete, as it contains the documentation required by WAC 480-143-120. The documentation includes a detailed explanation of the sale, the Company's current financial statements, a signed sales and purchase agreement and all amendments, a lease-back agreement and a copy of the proposed journal entries. The application also includes a detailed discussion of investment commitments that Qwest has offered in order to ensure that the transfer is consistent with the public interest.
- 4 The office building that Qwest seeks approval to transfer has been owned and occupied by the Company since 1976 and has been used by Qwest in providing telecommunications service in Washington, as well as other states. The building has 32 floors, and as Qwest's Washington work force has been reduced, Qwest's need for this space has substantially diminished. Qwest put the property up for sale and has entered into a sales agreement with the buyer for an amount of money specified in Qwest's confidential Agreement for Sale and Purchase of Real Property. Following the transfer, Qwest will lease back sufficient space to continue providing service to the public.
- 5 Qwest asserts that the transfer of property is consistent with the public interest. It is no longer necessary for the Company to own the property for its provision of services. The purchase price is at or above market value based on the Company's advisors. The sale will improve the Company's financial health, adding cash and eliminating the costs associated with owning and operating a large office building.
- 6 Qwest attempted to sell the building in 2008. The Commission approved the sale, contingent upon several investment conditions, including fiber-to-the-node and digital subscriber line deployment as well as a contribution to Community Voice Mail.² The sale fell through due to the collapse in the capital markets at that time.
- 7 Representatives of Qwest, Commission Staff (Staff), the Office of Public Counsel of the Attorney General (PC) and DoD/FEA held extensive discussions about Qwest's filing.

² See *In the Matter of the Application of Qwest Corporation for Order Approving an Agreement for Transfer of Land and Building located at 1600 - 7th Avenue, Seattle, Washington to INGCAL 7th Avenue, LLC*, Docket UT-081501, Order 01 (Sept. 25, 2008).

These interested parties discussed the amount of the sale proceeds that Qwest should share with Washington customers and the manner in which this gain on sale should be distributed back to customers.

- 8 The Company agrees to share the proceeds from the sale with the Washington ratepayers applying a methodology similar to that used by Avista, Puget Sound Energy and PacifiCorp to distribute the gain from the sale of the Centralia Power Plant in Dockets UE-991255, *et al.* The Commission approved such a method of allocating a share of the gain in the Company's previous building sale proceeding in Docket UT-081501. Staff has reviewed the filing and agrees the methodology used is consistent with the principle of equitable sharing of the gain on sale developed in Dockets UE-991255, *et al.* As a result of applying this methodology, Qwest has agreed that Washington customers should receive \$11.2³ million of the gain from the proposed sale. The detailed calculation is shown in confidential Attachment F in Qwest's March 13, 2013 amendment to the application.
- 9 Staff, in consultation with the interested parties named above, discussed options regarding how the \$11.2 million should be distributed to Washington customers but have not had sufficient time to come to agreement on that distribution.
- 10 The buyer's offer on the building expires March 23, 2012, and Qwest has informed Staff the buyer will not extend the expiration date. The Commission scheduled a special open meeting for March 20, 2012, to consider the Company's request before the offer expires.
- 11 Staff finds that the Company's petition and calculation of the gain to be shared with Washington customers are reasonable and recommends that the Commission approve the building sale. On March 13, 2012, Qwest proposed a specific way to distribute the gain, but because of the shortness of time before the scheduled open meeting, Staff recommended that the Commission defer a decision on the distribution of the gain to a future date. Staff informed the Company and other participants of this recommendations, and they did not raise objections to this proposal.
- 12 The Commission agrees with Staff's recommendation and concludes the transfer of property is in the public interest on the condition that \$11.2 million of the gain be

³ At the March 20 open meeting at which this matter was considered, a representative of Qwest indicated that the actual calculation of the amount was \$11.18 million.

allocated for the benefit of ratepayers in a manner to be determined by the Commission at a later date.

FINDINGS AND CONCLUSIONS

- 13 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including telecommunications companies. RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.36.
- 14 (2) Qwest Corporation d/b/a CenturyLink QC is a telecommunications company and a public service company subject to Commission jurisdiction.
- 15 (3) This matter came before the Commission at its special open meeting on March 20, 2012.
- 16 (4) After reviewing the Application, and giving due consideration to all relevant matters and for good cause shown, the Commission finds the Company's transfer and sale of the land and building located in 1600 - 7th Avenue and distributing the \$11.2 million of the gain from the sale that is attributable to the Company's Washington operations back to Washington customers is in the public interest. The transfer is a prudent management decision, and time is of the essence to ensure the transaction is completed before the expiration of the buyer's offer.
- 17 (5) After consultation with interested parties, Staff should propose to the Commission within 90 days a plan to distribute the gain to Qwest customers that is in the public interest. The Commission will then determine how the gain is to be distributed and the extent to which any interest on the gain should be included and at what rate.

ORDER

THE COMMISSION ORDERS:

- 18 (1) Qwest's Application for approval of an agreement for the transfer of the property and sale of the land and building located at 1600 - 7th Avenue, Seattle, Washington is granted. Qwest must distribute to Washington consumers the \$11.2 million gain from the sale allocated to Washington.
- 19 (2) Staff, in consultation with the Company and other interested persons, shall develop a proposal for distributing the gain to Qwest's Washington customers that is in the public interest and shall submit it to the Commission within 90 days of the effective date of the Order. The Commission will then determine how the gain is to be distributed and the extent to which any interest that may be accrued on the gain should be included.
- 20 (3) Qwest shall file with the Commission any revisions to transaction documents filed in support of the application.
- 21 (4) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 22 (4) The Commission retains jurisdiction over the subject matter and Qwest to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective March 21, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner