

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

In the Matter of the Application of United Telephone Company of the Northwest d/b/a Embarq for Determination that its Waucoma Property is not Necessary or Useful, or in the alternative, for Approval to Transfer Property, Pursuant to Chapters RCW 80.12 and 480-143 WAC

Docket No.

APPLICATION OF UNITED TELEPHONE COMPANY OF THE NORTHWEST d/b/a EMBARQ

1 United Telephone Company of the Northwest d/b/a Embarq (“Embarq”) submits this Application for Determination that its Waucoma Property is not Necessary or Useful, or in the alternative, for Approval to Transfer Property, pursuant to Chapters 80.12 RCW and 480-143 WAC (“Application”). This Application requests a determination that the property at 902 Wasco Street, Hood River, Oregon, (“Waucoma Property” or “Building”) is not necessary or useful, or in the alternative, approval of the proposed sale, so that Embarq can permanently transfer and sell the land and building to the Hood River Port Authority.

I. RELIEF REQUESTED

2 Embarq respectfully requests that the Commission enter an order finding that the Waucoma Property is not necessary or useful to perform its public duties, or in the alternative, approving the proposed sale.

APPLICATION OF UNITED TELEPHONE COMPANY
OF THE NORTHWEST d/b/a EMBARQ

II. DESCRIPTION OF THE PROPERTY AND TRANSACTION

3 The Waucoma Property has been used by Embarq primarily as office space, to house nation-wide call center employees, and to a limited extent for warehouse space. The Waucoma Property houses employees who perform the following functions in Oregon and Washington: call center, install and repair, sales, engineering and governmental affairs. The sale will include a long term lease by which Embarq will lease back sufficient space in the building to accommodate these employees.

4 The sale is governed by a Real Estate Sales Contract and ancillary agreements, the latter of which are included as exhibits to that contract (collectively the "Agreement"). The transaction is an arms length transaction, negotiated between unaffiliated parties, neither one being under compulsion to buy or sell. Pursuant to WAC 480-143-120, a copy of the Agreement is attached to this Application as Confidential Attachment 1. The following is a summary of the transaction:

- Assets. This transaction involves the sale of the land and building located at 902 Wasco Street, Hood River, OR, including certain leases associated with the building ("Waucoma Property"). A complete legal description of the property is included in Exhibit A to the Agreement. *See* Attachment 1.
- Purchase Price. Contained in Confidential Attachment 1.
- Closing Date. The real estate sales contract states that closing will take place within 30 days of the expiration of the "Review Period", which is 120 days from the effective date of the real estate sales contract, or within 10 days of receipt of regulatory approval, whichever is later.

III. STANDARD OF REVEIW

5 RCW 80.12.020 requires pre-approval of any sale, lease, assignment or other disposal by a public service company of any of its franchises, properties or facilities which are necessary or useful in the performance of its duties to the public. Under the Commission's rules, a public service company "must not dispose of any property necessary or useful to perform its public duties unless it first applies for, and obtains, written authority from the Commission." WAC 480-143-180.

6 The rule contains exceptions that set forth circumstances in which property will be deemed not necessary or useful, in which case the sale of the property is not subject to prior approval:

- (1) Are substituted with or replaced by items of equal or greater value or usefulness;
- (2) Are surplus and unneeded assets for which full value is received;
- (3) Are obsolete; or
- (4) Are excluded from the public service company's rate base by commission order, or otherwise.

Embarq alleges that the Waucoma Property fits within two of the four exceptions, and each are independent grounds for finding that the Waucoma Property is not necessary or useful: (1) It is being substituted or replaced with an item of equal usefulness and (2) it is a surplus and unneeded asset for which full value will be received.

IV. THE COMMISSION SHOULD FIND THAT THE WAUCOMA PROPERTY IS NO LONGER NECESSARY OR USEFUL

A. The Waucoma Property is Surplus, Unneeded, and Full Value will be Received, under WAC 480-143-180(2)

7 Embarq is selling the Waucoma Property because it is no longer necessary or useful for Embarq to own a property this large in order for it to provision services to the public in Washington. The size of Embarq's workforce in Washington and Oregon has declined over the years, and the current staffing levels in the Building are such that there is more space than is necessary for Embarq's operations. In fact, Embarq estimates that the portions of the building which it occupies (Embarq also leases a small portion of the Building to third parties) are only twenty percent (20%) used. For these reasons, the Waucoma Property qualifies as a surplus and unneeded asset.

8 Second, an independent appraisal was conducted by a qualified appraiser to determine the fair market value of the property. *See* Attachment 2. The property was aggressively marketed by a professional real estate broker with substantial experience selling commercial property of this type. *See* Attachment 3. Embarq received multiple bids on the building and the bid accepted is consistent with the appraised value of the property. This demonstrates that the sale price reflects the full value, satisfying the second prong under WAC 480-143-180(2).

9 For these reasons, the requirements under WAC 480-143-180(2) that the property be surplus and that consideration for the sale reflect full value are satisfied. Thus, the Building is not necessary or useful, under WAC 480-143-180(2), and for this reason alone Commission approval of the terms of the sale is not required.

B. The Waucoma Property is Being Substituted with or Replaced by Items of Equal Usefulness, under WAC 480-143-180(1)

10 The uses to which the Waucoma Property is placed by Embarq will continue to be performed uninterrupted within the building, under a lease back provision in the sale. Embarq will consolidate its operations in the building in a more efficient manner, placing the majority of the employees on one floor, rather than scattered throughout the building's three main floors. The sale will eliminate the costs associated with owning and operating a large office building by reducing unneeded, vacant space, and the expense associated with that space.

11 Absent the sale, to effectively utilize this asset as an owner, Embarq would need to consolidate and lease to third parties a substantial portion of the Building. Embarq is not in the property management business and it would be inefficient for Embarq to attempt to retain, maintain, and engage in leases of the vacant space on this property. Furthermore, there will be no impact on Embarq's ability to provide service consistent with its duties as public service company as a result of the sale of the Building. The lease back is an equally useful if not better substitute for an ownership interest. Thus,


under WAC 480-143-180(1), the Building is not necessary or useful and no approval of the terms of the sale is required.

V. CONCLUSION

12 In order to facilitate the Buyer's occupancy of the building and to avoid other contract related expenses, Embarq respectfully requests that the Commission give this matter expedited consideration and grant the relief Embarq requests within 60 days of filing.

13 For the reasons stated in this Application, Embarq requests that the Commission find that the Waucoma Property is not necessary or useful, under WAC 480-143-180. Should the Commission deem that the property is necessary or useful, Embarq asks that the Commission expeditiously approve the terms of the sale.

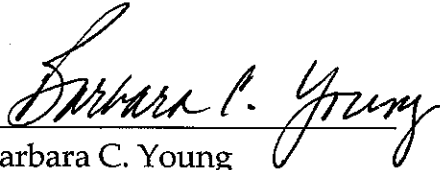
Respectfully submitted this 4th day of November 2008.

By:  _____

William E. Hendricks
WSBA #29786
United Telephone Company of the
Northwest d/b/a Embarq
902 Wasco Street
Hood River, OR 97031
Phone: (541) 387-9439
Fax (541) 387-9753
Tre.Hendricks@Embarq.com

CERTIFICATION PURSUANT TO WAC 480-143-140

I, Barbara C. Young, State Executive – Oregon, Washington for Embarq Corporation, hereby certify that the information contained in this Application is true and correct to the best of my knowledge and belief under penalty of perjury under the laws of the State of Washington. Signed at Hood River, OR this 4th day of November, 2008.



Barbara C. Young
Embarq

Application of United Telephone Company of the Northwest d/b/a Embarq

ATTACHMENT

2



Nancy H. Welsh, MAI, MRICS
Managing Director, Real Estate Advisory Group

Position	Ms. Welsh is the managing director of the West Coast Real Estate Advisory Group ("REAG") of American Appraisal Associates, Inc. She is also the lead program manager for American Appraisal's federal government practice.
Experience	
Valuation	Ms. Welsh's experience includes the preparation and review of real estate appraisals, consulting reports, market analyses, and feasibility studies of commercial and residential properties for use in financial reporting, tax reporting, lending, acquisitions, arbitration, property tax appeals, and bankruptcy, and for internal purposes. She has appraised a variety of stand-alone and portfolio office, retail, industrial, and multifamily residential properties, specifically including hotels, hospitals, skilled nursing facilities, biotech campuses, restaurants, parking garages, residential subdivisions, land, wetlands/tidelands, ground leases, waterfront properties, Enhanced Use Leasing projects, racetracks, mixed-use projects, and special-purpose facilities.
Business	In 2005, Ms. Welsh joined American Appraisal, with over 25 years of professional experience, as manager of the West Coast regional REAG, headquartered in San Francisco. Her previous experience includes production staff and management positions with CB Richard Ellis, Inc.; The Property Sciences Group, Inc.; Jackson-Cross Company; and Coyle, Lynch & Company.
Education	University of Pennsylvania Bachelor of Arts - Urban Studies
State Certifications	State of Arizona, Certified General Real Estate Appraiser, #31490 State of California, Certified General Real Estate Appraiser, #AG025705 State of Colorado, Certified General Appraiser, #CG100008399 State of Delaware, Certified General Real Property Appraiser, #X1-0000448 State of Oregon, State Certified General Appraiser, #C000825 State of Utah, Certified General Appraiser, #6112783-CG00 State of Washington, Certified General Real Estate Appraiser, #1101680
Professional Affiliations	Appraisal Institute, MAI Designated Member Royal Institution of Chartered Surveyors, Member
Valuation and Special Courses	Ms. Welsh has completed all necessary courses and seminars to qualify and to meet continuing education requirements for the MAI and MRICS designations as well as the state-specific appraisal licenses/certifications she maintains.

Application of United Telephone Company of the Northwest d/b/a Embarq

ATTACHMENT

3

Summary of Qualifications for Current Commercial Real Estate, LLC

Current Commercial Real Estate, LLC, founded in 2007, is a full-service commercial and investment real estate brokerage firm specializing in Office, Industrial, and Retail Sales and Leasing, Investment Sales, Consulting, Construction Management and Development Services. Current Commercial is an Oregon limited liability company owned by Lee Ast and Stephen Ford. Current Commercial is headquartered in Hood River, Oregon.

LEE AST, Broker in Oregon and Washington

Lee has twenty three years of professional experience as a commercial real estate broker in Oregon and Washington. From 1984 to 1990, he was the lead leasing agent for Mercury Development, and was responsible for leasing several key shopping centers, including Hood River Shopping Center (Rosauer's) and Cascade Square in The Dalles (Albertson's). Mercury was then the largest retail landlord in the Pacific Northwest.

Lee has negotiated, on behalf of owners and tenants, over \$50,000,000 worth of office, industrial, and retail leases and approximately that much in acquisitions and dispositions. He also led the development of commercial and industrial projects in Portland including phase two of The Stockyards Industrial Park (\$13,800,000 budget) and the retail redevelopment of Cascade Plaza (\$6,000,000 budget).

In addition to representing other commercial and industrial property for sale or lease in the Gorge, Lee is the Commercial Real Estate Consultant for The Insitu Group, the largest technology employer in The Gorge with over 200 employees. He has negotiated most of the leases and tenant improvements for approximately 100,000 square feet of their expansion in seven Gorge area buildings. He is also the Commercial Real Estate Consultant for the Port of Hood River.

STEPHEN K. FORD, CCIM, Broker in Oregon and Washington

Stephen has over ten years of professional experience as a commercial real estate broker licensed in Oregon and Washington and prior to this experience in the corporate world as a tenant negotiating leases for his former employers. From 1997 through 2005 Stephen was a commercial real estate broker in Bend, Oregon first with Coldwell Banker Commercial Morris Real Estate then Compass Commercial Real Estate Services specializing in dispositions and acquisitions, site selection, tenant and landlord representation and consulting. During this period of time Stephen was involved in well over \$100,000,000 in sales and leasing transactions.

Stephen left Compass Commercial in 2005, relocated his family to Hood River, Oregon and formed Ford Partners, a boutique commercial real estate services firm focused primarily on structuring group investments. Prior to being licensed as a commercial real estate agent Stephen held positions with General Dynamics (later purchased by Lockheed Martin) from 1985 through 1995 in Texas, Israel, Korea and Taiwan, involving financial, business and project management of international co-production programs. Some of these positions included responsibility for the leasing of office, industrial and residential space in support of the co-production programs.

Stephen is a Designee, Commercial Investment Real Estate Institute, National Association of Realtors; Past President and Director, Commercial Investment Division, Central Oregon Association of Realtors; Past Local Director, Central Oregon Association of Realtors; Past Member, Blue Ribbon Committee established by the Bend City Council to review Community Development Department Internal Operating Procedures; Past Director, Cascade Cycling Classic; Past Officer, Central Oregon Trails Alliance; and Member, the CCIM Institute and the Urban Land Institute.