

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

In the Matter of the Application of)	DOCKET UT-121073
)	
FRONTIER COMMUNICATIONS)	ORDER 01
NORTHWEST INC.)	
)	
For Order Approving an Agreement for)	
Transfer and Sale of the land and)	ORDER APPROVING
building located at 1800 41 ST Street,)	APPLICATION
Everett, Washington)	
.....		

BACKGROUND

- 1 On June 22, 2012, Frontier Communications Northwest Inc. (Frontier 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 1800 41st Street, Everett Washington. The sale is comprised of a Purchase and Sales Agreement and related lease-back arrangement (“Agreement”). The buyer, 1800 41st STREET, LLC, is a Delaware limited liability company, formed and controlled by a group of investors based out of the East Coast of the United States. The transaction proposed is an arms-length transaction, negotiated between unaffiliated parties, neither one being under a compulsion to buy or sell. The application includes a lease-back arrangement and the proposed journal entries.
- 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. WAC 480-143-120 requires that applications include details of the sale as well as the company’s current financial statements and 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 Frontier’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 sale and purchase agreement and all amendments, a lease-back agreement and a copy of the proposed journal entries.

- 4 The office building that Frontier seeks approval to transfer and sell has been owned and occupied by the Company since 2010 when the ownership was transferred from Verizon Northwest, Inc., (Verizon NW) and has been used by Frontier in providing telecommunications service in Washington, as well as in other states. Frontier claims that it is no longer necessary to own a property of this size for its provision of telecommunications services to the public. Approximately one-half of the building is currently occupied and necessary for Frontier's operations. Frontier put the property up for sale and has entered into a sales agreement with the buyer for an amount of money specified in Frontier's confidential Agreement for Sale and Purchase of Real Property. The sale involves a long term lease wherein Frontier will lease back sufficient space in the building. Frontier asserts that the transfer of property is consistent with the public interest. Frontier employed an experienced national broker to market the property and given the current market conditions and the unique configuration of the building, Frontier believes that the sale price reflects fair market value for the property even though it is less than the net book value in Frontier's Washington rate base. The sale will improve the Company's financial health, adding cash and eliminating the costs associated with owning and operating a large office building.
- 5 Prior to the ownership transfer to Frontier, Verizon had attempted to sell the building and since the ownership transfer, Frontier has had the property on the market for approximately two years.
- 6 The Due Diligence Expiration date is the later of August 4, 2012 (45 days after execution of the Agreement) or the Commission's approval of the proposed transfer of property.
- 7 Staff finds that the Company's application with journal entries recording the transaction is reasonable and recommends that the Commission approve the building sale.

FINDINGS AND CONCLUSIONS

- 8 (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, and 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.
- 9 (2) Frontier Communications Northwest Inc. is a telecommunications company and a public service company subject to Commission jurisdiction.

- 10 (3) This matter came before the Commission at its open meeting on August 9, 2012.
- 11 (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 at 1800 41st Street, Everett, Washington is in the public interest and the transfer is a prudent management decision.

ORDER

THE COMMISSION ORDERS:

- 12 (1) Frontier Communications Northwest Inc.'s Application for approval of an agreement for the transfer of the property and sale of the land and building located at 1800 41st Street, Everett, Washington is approved.
- 13 (2) Frontier Communications Northwest Inc. shall file with the Commission any revisions to transaction documents filed in support of the application.
- 14 (3) 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.
- 15 (4) The Commission retains jurisdiction over the subject matter and Frontier Communications Northwest Inc., to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective August 9, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary