

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of:

VERIZON NORTHWEST INC.

For Concurrence that Property is
Surplus

Docket No. UT-071922

AMENDED APPLICATION OF VERIZON
NORTHWEST INC. FOR CONCURRENCE
THAT PROPERTY IS SURPLUS

1. This amended application is brought by Verizon Northwest Inc. ("Verizon"), 1800 41st Street, Everett, Washington 98201. Verizon is represented in this matter by:

Gregory M. Romano
General Counsel – Northwest Region
Verizon
1800 41st Street, WA0105GC
Everett, WA 98201
Phone: (425) 261-5460
Fax: (425) 252-4913

I. RELIEF REQUESTED

2. WAC 480-143-180 requires that a public service company obtain written authority from the Commission in order to "dispose of any property necessary or useful to perform its public duties." WAC 480-143-180(2) specifies that property items that are "surplus and unneeded assets for which full value is received" do not constitute property that is "necessary or useful" to performance of public duties, and thus do not require written authority from the commission in order to be sold. Pursuant to the last paragraph of WAC 480-143-180, Verizon requests that the Commission concur that the two properties described below come within WAC 480-143-180(2) and, as such, may be sold without obtaining "written authority from the commission."
3. As further described below, the properties are surplus and unneeded, and Verizon will receive

full market value for them. Thus, under WAC 480-143-180(2), the properties do not constitute “property necessary or useful” to the performance of Verizon’s public duties and thus do not require written authority from the commission to be sold.

4. In making a determination of the dollar threshold under the formula in the last paragraph of WAC 480-143-180, Verizon used the rate base mentioned in the Commission’s Second Supplemental Order in Docket U-82-45/48, which produced a figure of approximately \$395,000. Verizon has not had a rate base “established by commission order” since that case. Verizon estimates that the market values of the subject properties exceed that threshold. (See CONFIDENTIAL ATTACHMENT 1.)

II. STATEMENT OF FACTS

Everett Property

5. The first property at issue (the “Everett Property”) consists of a 106,935 square foot concrete tilt up industrial building and two minor steel additions on 14.68 acres of land at 2510, 2600 and 2610 West Casino Rd., Everett. The Everett Property has been used for warehouse, storage and office purposes. The current and anticipated operations of Verizon do not require the use of this property. Specifically, the Everett Property has been used primarily as a distribution center stocked with on-site inventory of materials utilized in the provision of Verizon services. Verizon is replacing its nationwide system for distributing supplies by consolidating locations housing inventory to only five centers throughout the country, and using smaller locations regionally as “cross-dock” facilities. A “cross-dock” facility is one in which the focus is on the two loading docks: one to bring in materials and the other to take them out. A large amount of space is not required for such a facility because inventory does not stay at the facility for long periods of time (typically, stays are limited to 24 hours, and generally no more than 48 hours), and the amount of inventory in the facility at any one time is limited. Because the new, smaller “cross-dock” locations will distribute, but not generally house, inventory, the Everett Property is no longer needed. Specifically, the Everett Property’s large size (approximately 107,000 square feet) is not

needed in the new Verizon distribution system and is surplus, as a “cross-dock” facility to serve the geographical region here requires only approximately 10,000 to 25,000 square feet. It is believed that once the cross-dock operation is fully defined, the smaller 10,000 square foot number will be the more accurate within the range. Verizon office employees assigned to the buildings at the Everett Property will be relocated to other Verizon facilities. Warehouse employees who are not leaving Verizon and who are necessary to continue the cross-dock operation will remain on the property until a smaller, more efficient facility is located. As Verizon transitions out of using the building, it will lease the property from the next owner.

6. Verizon has undertaken a number of steps to ensure that it will receive full value for the Everett Property, utilizing independent companies at each step of the process. First, through a land consultant named Blu Croix Ltd., Verizon received the opinion of an independent appraiser, PGP Valuation Inc. (“PGP Valuation”), on the value of the Everett Property. PGP Valuation’s appraisal was provided by two Washington-licensed, certified general real estate appraisers. Second, Verizon hired CB Richard Ellis (“CBRE”) to provide commercial real estate brokerage services. CBRE, a nationwide leader in such services (see www.CBRE.com), was selected based on its superior marketing abilities, and its industry specific expertise of Verizon’s market. CBRE also has a local focus and track record, as exemplified by its successful sale of other Verizon properties in the Everett area. CBRE marketed the property, and, as a result, secured three competitive offers on the Everett Property from qualified buyers unaffiliated with Verizon at prices above the appraisal valuation provided by PGP Valuation.

Wenatchee Property

7. The second property (the “Wenatchee Property”) is a portion of a large parking lot at 320 Penny Rd., Wenatchee. The Verizon facility adjacent to the parking lot is an operations yard, and no longer needs such a large parking lot. Verizon does not currently use (and does not anticipate needing to use) the relevant portion of the parking lot (for parking or anything else), and seeks to rid itself of the ownership and maintenance costs associated with the unused portion of the

parking lot.

8. Verizon undertook similar steps to ensure that it will receive full value for the Wenatchee Property, as it did for the Everett Property, using the independent companies in the manner described in paragraph 6 above. Specifically, through a land consultant named Blu Croix Ltd., Verizon received the opinion of PGP Valuation on the value of the Wenatchee Property. PGP Valuation's appraisal was provided by two Washington-licensed, certified general real estate appraisers. Verizon also utilized the commercial real estate brokerage services of CBRE for all the reasons set forth in paragraph 6 above. CBRE marketed the property, and, as a result, secured a competitive offer on the Wenatchee Property from a qualified buyer unaffiliated with Verizon at a price above the appraisal valuation provided by PGP Valuation.

III. ARGUMENT

9. The Everett and Wenatchee Properties are "surplus and unneeded assets for which full value is received," as described in WAC 480-143-180(2). Accordingly, they do not constitute property that is "necessary or useful" to performance of public duties under WAC 480-143-180, and thus do not require written authority from the commission in order to be sold.

A. The Everett and Wenatchee Properties are surplus and unneeded assets.

10. Verizon no longer needs the Everett and Wenatchee Properties. The latter (the Wenatchee Property) is surplus and unneeded, as it is an unused portion of a parking lot that Verizon has determined it has no plans or need to use either now or in the future.
11. The former (the Everett Property) is surplus and unneeded because of changes that Verizon has made to its distribution system. As a result of those changes, only a small facility that does not house inventory for long periods of time is needed in the area. Thus, the large Everett Property, designed to hold significant amounts of inventory that will no longer be stored in the area at one time, is unneeded by Verizon and reflects a surplus asset. That some Verizon employees may

currently be housed in the Everett Property and remain there during a transition phase does not change its surplus and unneeded status.

B. Full value will be received for the Everett and Wenatchee Properties.


12. Verizon's use of independent consultants, appraisers and commercial real estate brokers ensures that it will receive full value for the Everett and Wenatchee Properties. For both properties, a well-regarded commercial real estate brokerage firm has engaged in marketing efforts that have resulted in offers from qualified buyers unaffiliated with Verizon (in the case of the Everett Property, from multiple qualified buyers) at prices above the appraisal valuation provided by the independent and licensed appraisal company, PGP Valuation. As a result, Verizon will receive full value for both properties.

IV. CONCLUSION

13. Verizon respectfully requests that the Commission issue an order concurring that no written authority from the Commission is required regarding the sale of the Everett and Wenatchee Properties because the properties constitute "surplus and unneeded assets for which full value is received" under WAC 480-143-180(2) and thus, are not "necessary or useful" under WAC 480-143-180.

DATED this 19th day of November, 2007.

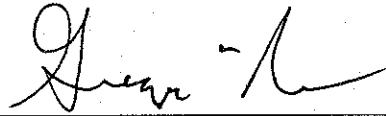
VERIZON NORTHWEST INC.



Gregory M. Romano
Vice President & General Counsel
1800 41st Street, WA0105GC
Everett, WA 98201
(425) 261-5460

CERTIFICATION PURSUANT TO WAC 480-143-140

I, Gregory M. Romano, Vice President and General Counsel, Verizon Northwest Inc., 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 Everett, Washington, this 19th day of November, 2007.



Gregory M. Romano
Verizon Northwest Inc.