

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of:

VERIZON NORTHWEST INC.

Docket No. UT-071922

SECOND AMENDED APPLICATION OF
VERIZON NORTHWEST INC.
REGARDING TRANSFER AND SALE OF
PROPERTY

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

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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 one of the two properties described below (the "Wenatchee Property") comes within WAC 480-143-180(2) and, as such, may be sold without obtaining "written authority from the commission." With regard to the other property (the "Everett Property"), Verizon requests that the Commission enter an order approving the sale pursuant to Chapters

80.12 RCW and 480-143 WAC.

3. As further described below, the Wenatchee Property is surplus and unneeded, and Verizon will receive full market value for it. Thus, under WAC 480-143-180(2), the Wenatchee Property does not constitute “property necessary or useful” to the performance of Verizon’s public duties and thus does not require written authority from the Commission to be sold.
4. As further described below, the sale of the Everett Property is consistent with the public interest, as the transaction will allow Verizon to: (i) improve its operations by converting to a new, more efficient inventory distribution system; (ii) receive full market value for the property and (iii) improve its financial health by adding cash and eliminating unnecessary costs associated with ownership of the property.
5. 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

Wenatchee Property

6. The first 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.
7. Verizon has undertaken a number of steps to ensure that it will receive full value for the Wenatchee 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 Wenatchee 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 Washington. 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.

Everett Property

8. The second 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 because 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, a company unaffiliated with Verizon.

9. 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, 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 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.
10. The complete legal description of the Everett Property, the purchase price and all other terms of the transaction are provided in the Agreement of Purchase and Sale and Escrow Instructions ("Everett Sale Agreement") attached as Confidential Attachment 2. The Everett Sale Agreement states that the transaction shall close on December 14, 2007, unless the Commission has not yet approved the transfer as of that date. Verified copies of the completed Everett Sale Agreement (including the "Lease-Back Lease" to be provided in Exhibit 18.2) will be filed with the Commission after the transaction closes.

III. DISCUSSION

Wenatchee Property

11. The Wenatchee Property is a surplus and unneeded property, 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. Verizon's use of independent consultants, appraisers and commercial real estate brokers has ensured that it will receive full value for the Wenatchee Property. A well-regarded commercial real estate brokerage firm engaged in marketing efforts that have resulted in an offer from a qualified buyer unaffiliated with Verizon at a price above the appraisal valuation provided by the independent and licensed appraisal company, PGP Valuation. Thus, the Wenatchee Property constitutes a "surplus and unneeded asset for which full value is received," as described in WAC 480-143-180(2).
12. Accordingly, it does not constitute property that is "necessary or useful" to performance of public duties under WAC 480-143-180, and thus does not require written authority from the Commission in order to be sold. Verizon respectfully requests that the Commission concur in this analysis.

Everett Property

13. The sale of the Everett Property is consistent with the public interest for at least three reasons.
14. First, the Everett Property is no longer needed because of changes that Verizon has made to its inventory 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 no longer necessary. Selling the Everett Property will allow Verizon to utilize a more efficient inventory distribution system.
15. Second, Verizon's use of independent consultants, appraisers and commercial real estate brokers ensures that it will receive full value for the Everett Property. A well-regarded commercial real estate brokerage firm has engaged in marketing efforts that resulted in offers from multiple,

qualified buyers unaffiliated with Verizon 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 the Everett Property.

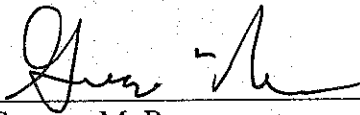
16. Third, the sale of the Everett Property will improve Verizon's financial health, adding cash and eliminating the costs associated with owning and operating a large building that is no longer needed. Pursuant to WAC 480-143-140, a copy of Verizon's current financial statement is attached to this application as Attachment 3. To assist in the Commission's review of this matter, a copy of the proposed journal entries from this transaction is attached as Confidential Attachment 4.
17. Thus, the sale of the Everett Property is consistent with the public interest, and Verizon respectfully requests that the Commission approve the sale pursuant to Chapters 80.12 RCW and 480-143 WAC. Due to the proposed closing date in the Everett Sale Agreement, Verizon respectfully requests that the Commission give this matter expedited consideration and approve it at the open meeting scheduled for December 12, 2007.

IV. CONCLUSION

18. For the foregoing reasons, Verizon respectfully requests that the Commission issue an order: (i) concurring that no written authority from the Commission is required regarding the sale of the Wenatchee Property, as it constitutes a "surplus and unneeded asset for which full value is received" under WAC 480-143-180(2) and thus, is not "necessary or useful" under WAC 480-143-180; and (ii) approving the sale of the Everett Property pursuant to Chapters 80.12 RCW and 480-143 WAC.

DATED this 4th day of December, 2007.

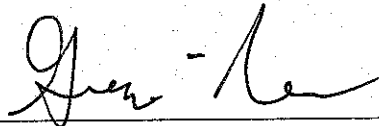
VERIZON NORTHWEST INC.



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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 4th day of December, 2007.



Gregory M. Romano
Verizon Northwest Inc.