

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of
QWEST CORPORATION Regarding
the Sale and Transfer of Property

Docket No.

QWEST CORPORATION'S APPLICATION
REGARDING TRANSFER AND SALE OF THE
BUILDING LOCATED AT 1600 – 7th AVENUE

1 Qwest Corporation (“Qwest”), by and through its undersigned counsel, hereby submits this application pursuant to Chapters 80.12 RCW and 480-143 WAC. This application regards the permanent transfer and sale of the land and building located at 1600 – 7th Avenue, Seattle, Washington, to INGCAL 7TH AVENUE LLC.

I. RELIEF REQUESTED

2 Qwest respectfully requests the Commission enter an order approving the sale pursuant to Chapters 80.12 RCW and 480-143 WAC.

II. DESCRIPTION OF THE TRANSACTION

3 The sale is comprised of a purchase agreement, a first amendment, and a reinstatement agreement and second amendment. The transaction is an arms length transaction, negotiated between unaffiliated parties, neither one being under a compulsion to buy or sell. Pursuant to WAC 480-143-120, a copy of the purchase agreement is attached hereto as Confidential Attachment A. A brief description of the transaction follows:

- Assets. This transaction involves the sale of the land and building located at 1600 – 7th Avenue, Seattle, Washington, including certain leases associated with the building, as well as certain intangible assets associated with the building. A complete legal description of the property is included in Exhibit A to the Sale and Purchase Agreement.
- Purchase Price. Contained in Confidential Attachment A.
- Closing Date. The sale agreement states that closing will take place on September 9, 2008, which may be extended to September 30, 2008.

III. DISCUSSION

4 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. The Commission’s rules clarify that, for purposes of RCW 80.12.020, property is not “necessary or useful” if it is excluded from the public service company’s rate base. *WAC 480-143-180(4)*.

5 The assets that are being transferred in this case have been included in Qwest’s Washington rate base, and have been used by Qwest in the provision of telecommunications services in Washington and in other states. The 1600 – 7th Avenue building houses employees who perform the following functions: network design, provisioning and resource allocation; business markets sales and support; customer care; finance and accounting; public policy; legal; and information technologies. The sale will involve a long term lease wherein Qwest will lease back sufficient space in the building to maintain the presence of most of these employees. Other employees will be relocated to existing Qwest properties in Seattle.

6 Qwest respectfully requests the Commission to promptly approve the sale as being consistent with the public interest for a number of reasons.

7 First, it is no longer necessary for Qwest to have a property this large for its provision of services to the public. The building has 32 floors, with three additional underground levels. The size of Qwest’s workforce in Washington has declined over the years, and the current staffing levels in the building are such that there is more space in the Qwest building at 1600 – 7th Avenue than is necessary for Qwest’s operations.

- 8 Second, the property was aggressively marketed by a professional real estate broker with substantial experience selling commercial property of this type. The inventory of available commercial property in Seattle is such that there is neither over supply nor scarcity. Qwest received fifteen offers for the property and selected the highest bidder. Qwest believes that the sale price reflects fair market value for the property.
- 9 Third, the sale will improve Qwest's financial health, adding cash and eliminating the costs associated with owning and operating a large office building.
- 10 Qwest understands that Commission Staff ("Staff"), Public Counsel, and the U.S. Department of Defense and all other Federal Executive Agencies ("DoD/FEA"), would advocate for some sharing of the proceeds of the sale. After extensive discussions with those parties, Qwest is willing to agree to certain additional terms that should establish that the transaction is in the public interest.¹
- 11 Qwest states that upon approval of this application without further conditions, Qwest will share the proceeds from the sale with the ratepayers in the amount and manner set forth herein. The determination of the amount shared is consistent with the methodology in the case involving the sale of the Centralia Power Plant, Docket Nos. UE-991255, et al. While Qwest believes that this case is distinguishable from Centralia,² Qwest is nonetheless willing to offer a direct return to the ratepayers in order to facilitate the prompt approval of the transaction. The commitments made herein are expressly conditioned upon the closing of the sale transaction.
- 12 In order to retain the confidentiality of the purchase price until the transaction closes, the calculation that produces the amount to be shared is shown in Confidential Attachment B, but

¹ The treatment of the transaction and the sharing of the proceeds in this case is the result of a compromise by all parties and should not be deemed to be the result that any party would endorse in any future proceedings. Nor does any party believe that the result in this case should be precedential in any other proceeding under Chapter 80.12 RCW.

² In Centralia the issue was the sale of a system, which is treated for regulatory accounting purposes in the same way as sales of plant with traffic. However, this case involves the sale of a building and land, which is "plant without traffic," and no gain is calculated on the building but only on the land in such sale. Also, Centralia would not require actual payment or expenditure of the proceeds – the shared portion of the gain would be returned to ratepayers via accounting adjustments in a future rate case proceeding.

the total amount that will be returned to the benefit of ratepayers is \$12.97 million. Qwest proposes to do so through investment in fiber-to-the-node (“FTTN”) deployments to facilitate higher speed internet capability (12 and 20 mbps) in select communities, and additional high speed internet deployment in very rural communities over the next three years, as set forth in Attachment C. Qwest will report on this investment in the same manner as it will report on the high speed internet deployment associated with the AFOR, Docket No. UT-061625. This investment will bring high speed internet, and higher speed internet to neighborhoods and communities that do not currently have it, and which are not in current deployment plans.

13 These investments in the deployment of high speed internet services are consistent with the public interest as recently indicated by the legislature in Senate Bill 6438.³

Sec. 1 (1) The legislature finds and declares the following:

(a) The deployment and adoption of high-speed internet services and information technology has resulted in enhanced economic development and public safety for the state's communities, improved health care and educational opportunities, and a better quality of life for the state's residents;

(b) Continued progress in the deployment and adoption of high-speed internet services and other advanced telecommunications services, both land-based and wireless, is vital to ensuring Washington remains competitive and continues to create business and job growth; and

(c) That the state must encourage and support strategic partnerships of public, private, nonprofit, and community-based sectors in the continued growth and development of high-speed internet services and information technology for state residents and businesses.

14 Finally, in addition to the high speed internet investment commitments, Qwest will make a monetary contribution to Community Voicemail in Washington.⁴ This contribution will help provide the state’s lowest income residents who cannot currently afford phone service the ability to receive calls through voice-mail service.

15 Pursuant to WAC 480-143-140, a copy of Qwest’s current financial statement is attached to

³ 2007 WA S.B. 6438, signed 3/31/2008, Ch. 2008-262 (added new section to RCW 43.105).

⁴ <http://www.cvm.org>

- 15 Pursuant to WAC 480-143-140, a copy of Qwest's current financial statement is attached to this application as Exhibit D. A copy of the proposed journal entries is also included as Confidential Attachment E.
- 16 Due to the deadlines contained in the Agreement, Qwest respectfully requests that the Commission give this matter expedited consideration and approve it at the August 28, 2008 open meeting.

IV. CONCLUSION

- 17 For the foregoing reasons, Qwest respectfully requests that the Commission expeditiously consider this application and approve the transfer of property as described herein.
- 18 DATED this 13th day of August, 2008.

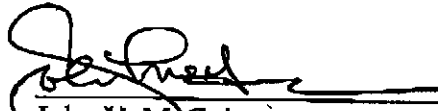
QWEST



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CERTIFICATION PURSUANT TO WAC 480-143-140

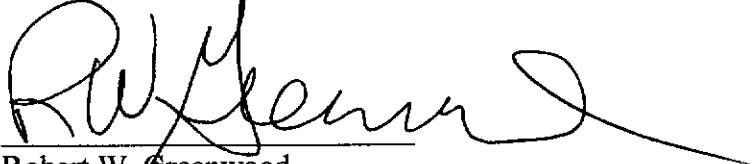
I, John V. McGuire, Vice-President, Real Estate and Procurement for Qwest Corporation, hereby certify, except with regard to paragraph 12, that the factual information contained in this Application is true and correct to the best of my knowledge and belief under penalty of perjury under the laws of the State of Washington. Signed at Denver, Colorado this 12th day of August, 2008.



John V. McGuire
Qwest Corporation

CERTIFICATION PURSUANT TO WAC 480-143-140

I, Robert W. Greenwood, Vice-President, Network Operations and Engineering for Qwest Corporation, hereby certify that the factual information contained in paragraph 12 of 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 Seattle, Washington this 12 day of August, 2008.



Robert W. Greenwood
Qwest Corporation