

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

VERIZON HAWAII INC.)

For Approval to Sell Property)
at 4181 Rice Street, Lihue,)
Kauai, Hawaii.)

DOCKET NO. 02-0364

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

2002 DEC 20 P 3:26

RECEIVED

DECISION AND ORDER NO. 19921

Filed Dec. 20, 2002
At 8:00 o'clock A .M.

Karen Higashi
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

K. Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of))	
VERIZON HAWAII INC.)	Docket No. 02-0364
)	
For Approval to Sell Property)	Decision and Order No. 19921
at 4181 Rice Street, Lihue,)	
Kauai, Hawaii.)	
_____)	

DECISION AND ORDER

I.

By application filed on October 3, 2002, VERIZON HAWAII INC. (Verizon) requests commission approval for the sale of vacant land located at 4181 Rice Street, Lihue, Kauai (the subject property), in accordance with the provisions of Hawaii Revised Statutes (HRS) § 269-19 and Hawaii Administrative Rules § 6-61-105 (proposed sale).

Verizon served copies of the application on the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (Consumer Advocate). On October 23, 2002, the Consumer Advocate served Verizon with information requests (IRs), to which Verizon responded on October 29, 2002. The Consumer Advocate filed a Preliminary Statement of Position on October 23, 2002, and a Statement of Position on December 5, 2002, informing the commission that it does not object to the approval of Verizon's request.

II.

A.

Verizon, a corporation existing under and by virtue of the laws of the State of Hawaii, is a public utility engaged in furnishing telecommunications services in the State of Hawaii. It is the owner of the subject property, consisting of approximately 56,882 square feet of land, which it acquired in 1970.

The subject property consists of two parcels of land, one 49,066 square feet, and the other 7,816 square feet. The smaller strip of land is encumbered by an access easement to an adjoining parcel of land, and was not included in an appraisal of the subject property since it is encumbered and will probably be dedicated for a road extension.

The subject property is currently vacant. Verizon used it for storage purposes after Hurricane Iniki in 1992. The subject property has been marketed for sale since 1995, when it was determined that there was no longer an operational need for the land. Moreover, while the subject property was originally intended to replace the 4040 Halau Street baseyard, it was not utilized as such, and Verizon has no anticipated use for the subject property. The subject property is not now, nor will it be in the future, used for the provision of telecommunications services.

Additionally, Verizon states that, while closing on the sale of the subject property will not occur without commission approval, it requests commission approval of the proposed sale by

December 20, 2002, prior to the close of escrow, and as specified in the sales agreement, so as not to lose the potential buyer of the subject property.

B.

The Consumer Advocate does not object to the sale of the proposed property for the following reasons: (1) the proposed sale does not affect Verizon's provision of telecommunications services; (2) Verizon has no need for the subject property, and in the interest of ratepayers, the subject property should be removed from Verizon's rate base; (3) Verizon appears to be in conformance with guidelines of the Federal Communications Commission Part 32-Uniform System of Accounts for Telecommunications Companies; and (4) the sale price appears to be fair.

With regard to accounting of the net proceeds from the proposed sale, the Consumer Advocate recommends that the gain from the sale of the property be apportioned between the period that the property was recorded in Verizon's regulated versus non-regulated plant accounts. Any net gain allocated to the regulated operations should be recorded in a deferred credit account and amortized over a five-year period, beginning in the year of the sale, with any unamortized balance reflected as an offset to rate base in Verizon's next rate case.¹

¹By letter dated and filed on December 13, 2002, Verizon informed the commission that it does not object to the Consumer Advocate's recommended treatment of the gain from the sale of the property.

III.

HRS § 269-19 requires a public utility to obtain commission approval prior to, among other things, leasing, or otherwise disposing of, or encumbering the whole or any part of its road, line, plant, system, or other property necessary or useful in the performance of its duties to the public.

Upon review, the commission finds the proposed sale to be reasonable and in the public interest. It appears that the sale of the subject property will not affect Verizon's ability to provide telecommunications services to its customers. Moreover, the property is not currently being used, and it is not anticipated that it will be used or needed in the future for utility purposes. We also agree with the Consumer Advocate's recommended accounting treatment of the gain from the proposed sale, as discussed in Section II.B.2 of its Statement of Position. In particular, we find that such accounting treatment of the gain for ratemaking purposes is consistent with prior commission decisions. See Decision and Order No. 6275, filed on July 9, 1980, in Docket No. 3705.

Based on the above, the commission, thus, concludes that the proposed sale, as described in Verizon's application, filed on October 3, 2002, should be approved, subject to the condition that Verizon abides by the Consumer Advocate's recommended accounting treatment of the gain from the proposed sale.

IV.

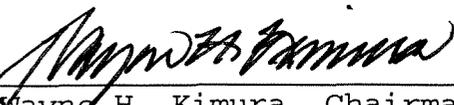
THE COMMISSION ORDERS:

1. Verizon's application for approval of the sale of vacant land located at 4181 Rice Street, Lihue, Kauai, filed on October 3, 2002, is approved, subject to the condition noted below.

2. Consistent with the Consumer Advocate's recommendation in Section II.B.2 of its Statement of Position, Verizon shall: (1) apportion the gain from the proposed sale between the period that the property was recorded in Verizon's regulated, versus non-regulated accounts; (2) record the net gain allocated to the regulated operations in a deferred credit account, amortized over a five-year period, beginning in the year of the proposed sale; and (3) deduct from the rate base any unamortized balance, to be reflected in Verizon's next rate case.

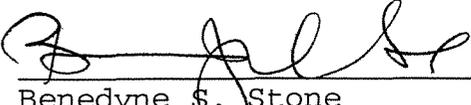
DONE at Honolulu, Hawaii this 20th day of December, 2002.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Benedyne S. Stone
Commission Counsel

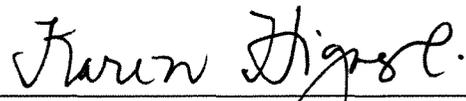
By 
Gregg J. Kinkley, Commissioner

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 19921 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P. O. Box 541
Honolulu, HI 96809

JOEL K. MATSUNAGA
VICE PRESIDENT-EXTERNAL AFFAIRS
VERIZON HAWAII INC.
P. O. Box 2200, A17
Honolulu, HI 96841



Karen Higashi

DATED: December 20, 2002