

o/s
SCW

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
VERIZON HAWAII INC.)
For Approval to Sell its Property)
at 855 Umi Street, Honolulu.)
_____)

DOCKET NO. 03-0069

DECISION AND ORDER NO. 20194

Filed May 27, 2003
At 11:30 o'clock A .M.

Karen Higashi
Chief Clerk of the Commission

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

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

II.

A.

The subject property is located at 855 Umi Street, Honolulu, island of Oahu. There, Verizon Hawaii Inc. owns, in fee simple: (1) 2.51 acres of land, zoned IMX-1 (industrial-commercial); and (2) a two-story, 19,923 square foot commercial building. A parking lot surrounds the building. Field technicians, a cable pressurization group, and Verizon Hawaii Inc.'s assignment provisioning center are currently located at the subject property.²

By purchase agreement dated January 16, 2003, Verizon Hawaii Inc. agrees to sell the subject property to Paradise Cruise Ltd., in "as is" condition. Under the terms of the purchase agreement, the sale is subject to the commission's approval, consistent with HRS § 269-19.

Prior to marketing the subject property, Verizon Hawaii Inc. obtained an independent appraisal. Both the purchase agreement and appraisal report are attached as exhibits to the application.³

²The field technicians install and repair telecommunications equipment and services.

The cable pressurization group maintains certain types of cable, "including the installation of required hardware and sealing of cable leaks." Maintaining cable pressure, Verizon Hawaii Inc. explains, "prevents cable outages by preventing moisture from entering the cable sheath."

The assignment provisioning center "is responsible for assigning cable and cable pairs on orders requiring manual assignment for R1, B1, and multi-line service."

³Verizon Hawaii Inc. submitted the sales price, appraised value, net book value, and net gain, under confidential seal.

Verizon Hawaii Inc. represents that "[t]he sale price is higher than the appraised value and is considerably above the net book value." The anticipated costs associated with the sale include:

1. Removing the underground fuel storage tank and generator should Paradise Cruise Ltd. elect not to accept the generator.
2. Removing any hazardous material if any such material is detected prior to closing, and Paradise Cruise Ltd. elects not to terminate the purchase agreement.
3. The sales commission.

In seeking commission approval of the sale, Verizon Hawaii Inc. states:

1. The subject property "is no longer needed in the conduct of the Company's business as a public utility." Instead, it has other facilities to accommodate the customer operations and business dispatch groups. Specifically, it will relocate its: (A) field technicians and cable pressurization group to the Moanalua base yard at 1021 Kikowaena Place; and (B) assignment provisioning center to 1177 Bishop Street.

Accordingly, it is in the ratepayers' best interests to sell the subject property.

2. The sale will result in: (A) a write-off of the original cost of the subject property; and (B) recording the gain in its books. The result is a reduction in its rate base, thereby benefiting the ratepayers.

Verizon Hawaii Inc. seeks commission action by June 25, 2003, in order to close the sale no later than June 30, 2003, the agreed upon closing date set forth in the purchase agreement.⁴

Verizon Hawaii Inc. states:

⁴While the closing date is subject to a one-time 60-day extension, the purchase agreement also includes a "time is of the essence" provision.

1. A timely closing will result in a savings of \$6,000 per month for utility, maintenance, and insurance costs.
2. A delay in closing "could jeopardize the sale of the property."
3. It "would like to take advantage of this offer while the interested party is still attracted to the purchase."

B.

The Consumer Advocate does not object to the sale of the 855 Umi Street property, based on the following reasons:

1. It does not appear that the sale will adversely affect Verizon Hawaii Inc.'s ability to provide telecommunications services.

2. The sales price appears reasonable, in light of the subject property's appraised market value and the anticipated costs of completing the sale.

3. The sale is consistent with the public interest because the subject property "is no longer needed for the provision of telecommunications service and will result in cost savings due to the consolidation of the current operations at other sites."

That said, the Consumer Advocate recommends that the gain be "recorded in an above-the-line deferred credit account and amortized over a five-year period beginning in the year of

the sale." Verizon Hawaii Inc. does not object to this treatment of the gain.⁵

III.

HRS § 269-19 prohibits a public utility from selling its utility property "without first having secured from the public utilities commission an order authorizing it so to do."

Verizon Hawaii Inc. represents that: (1) the subject property is no longer needed to conduct its utility operations; and (2) its operations will not be adversely affected from the property's sale to Paradise Cruise Ltd., or the relocation of its field technicians, cable pressurization group, and assignment provisioning center, from the property.

Upon review, the commission finds the sale of the subject property to Paradise Cruise Ltd., at the agreed upon purchase price, reasonable and consistent with the public interest. Accordingly, the commission will approve the sale, consistent with HRS § 269-19.

⁵In its response to CA-IR-1, Verizon Hawaii Inc. states in part:

If the Commission orders Verizon Hawaii to amortize the gain on the sale over a five year period, the Company would not object as long as the amortization is reflected on the Company's intrastate financial results only. From the date of the sale, one fifth of the gain can be recognized annually in the Company's intrastate financial reports in accordance with Company policy.

IV.

THE COMMISSION ORDERS:


1. The sale of Verizon Hawaii Inc.'s property at 855 Umi Street, Honolulu, to Paradise Cruise Ltd., is approved.

2. The gain from the subject sale shall be:
(A) recorded in an above-the-line deferred credit account; and
(B) amortized over a five-year period, beginning in the year of the sale.

3. Verizon Hawaii Inc. shall promptly notify the commission and Consumer Advocate of the closing of the subject sale, and the gain realized from the sale.


DONE at Honolulu, Hawaii this 27th day of May, 2003.

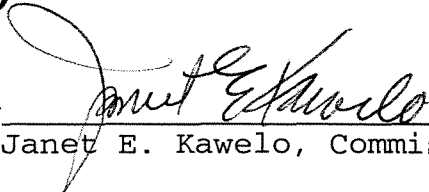
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

APPROVED AS TO FORM:


Michael Azama
Commission Counsel

By 
Janet E. Kawelo, Commissioner

03-0069.sl

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20194 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, A-17
Honolulu, HI 96841



Karen Higashi

DATED: May 27, 2003