

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Verizon California Inc. (U1002C)
for Approval Pursuant to Section 851 to Transfer
Property Located at 2849 Ficus Street, Pomona,
California, to LBA Inc.

Application 07-08-028
(Filed August 29, 2007)

**DECISION AUTHORIZING VERIZON CALIFORNIA INC.
TO SELL PROPERTY TO LBA INC.**

Summary

By this decision, we authorize Verizon California Inc. (Verizon) to sell to LBA Inc. (LBA) property located in Pomona, California. This proceeding is closed.

The Sale

Verizon seeks Commission approval under Pub. Util. Code § 851 to sell property located at 2849 Ficus Street, Pomona, California, to LBA. The property to be sold consists of one large building located on approximately 27 acres of land. The building consists of 338,627 square feet of warehouse and approximately 30,000 square feet of office space. In addition, the building contains a smaller office and storage space supporting Verizon’s telephone operations and a video hub office that transports video content to various central offices. The property also contains a guard shack at the driveway entrance, approximately 580 outside parking spaces, an outside storage yard, and a water tank and boiler storage area.

Verizon will reduce its occupancy of the property through a lease-back of the space for up to three years. This will allow Verizon to negotiate favorable lease terms for new sites and relocate employees and equipment in an orderly manner to prevent disruption of business operations.

In addition to the sale, Verizon will retain an indefinite restrictive easement on 12, 000 square feet of the property. The easement will be used to support and maintain the video hub office, which will remain onsite.

The proposed sale is the result of a process in which multiple bids were received yielding a price in excess of the recently appraised value of the property.

Reasons for the Sale

Verizon represents that the sale will allow it to utilize other space in the Pomona area resulting in lower operating costs and increased flexibility to more easily relocate employees and equipment in response to the changing nature of the communications business. Verizon also points out that the sale will result in an increased tax basis for the property that will generate additional property tax revenue from the new owners for local government.

Discussion

Section 851 provides that no public utility "shall sell, lease, assign, mortgage, or otherwise dispose of or encumber the whole or any part of its ... property necessary or useful in the performance of its duties to the public ... without first having secured an order from the Commission

authorizing it to do so..." The Commission's role in examining transactions subject to § 851 is the protection of the public interest.¹

In Decision (D.) 06-08-030, we discontinued rate-of-return regulation of Verizon and allocated any gain on the sale of property to shareholders. Therefore, the factors we must consider regarding the proposed sale are whether Verizon's ability to serve its customers is impaired as a result of the sale, and whether the requirements of the California Environmental Quality Act (CEQA) are met.

The sale will allow Verizon to utilize other space in the Pomona area resulting in lower operating costs and increased flexibility to more easily relocate employees and equipment. In addition, the lease-back will allow Verizon to negotiate favorable lease terms for new sites and relocate employees and equipment in an orderly manner to prevent disruption of business operations. Therefore, we find that the sale will not inhibit, and may improve, Verizon's ability to provide service to its customers.

CEQA (Public Resources Code §§ 21000, *et seq.*), applies to discretionary projects to be carried out or approved by public agencies. A basic purpose of CEQA is to inform governmental decision-makers and the public about the potentially significant environmental effects of the proposed activities.

In this instance, the property has already been developed and will continue to be used for the same warehousing and administrative functions as it is today. Since no construction or other change to the property is occurring as a

¹ Section 853(a): "This article [Article 6, Transfer or Encumbrance of Utility Property, §§ 851 through 856] ... shall apply to any public utility ... if the commission finds ... that the application of this article is required by the public interest."

result of this transaction, it can be seen with certainty that there is no possibility that granting this application will have an adverse impact upon the environment.

For the above reasons, we conclude that the proposed sale is in the public interest and should be approved.

Procedural Considerations

In Resolution ALJ 176-3198 dated September 6, 2007, the Commission preliminarily categorized this application as ratesetting and preliminarily determined that hearings were not necessary. No protests have been received. There is no apparent reason why the application should not be granted. Given these developments, a public hearing is not necessary and it is not necessary to disturb the preliminary determinations.

Request to File Under Seal

Verizon requests that portions of the "Agreement of Purchase and Sale and Escrow Instructions," filed with this application and on October 30, 2007, be filed under seal. The information consists of the purchase price, advance fee, deposit, balance and the term sheet for the lease-back including rents. Verizon represents that the information is proprietary and sensitive and, if revealed, would place it at an unfair business disadvantage. We have granted similar requests in the past and do so here.

Waiver of Comment Period

This is an uncontested matter in which the decision grants the requested relief. Therefore, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Assignment of Proceeding

Timothy Alan Simon is the assigned Commissioner and Jeffrey P. O'Donnell is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Pursuant to D.06-08-030, we discontinued rate-of-return regulation of Verizon and allocated any gain on the sale of property to shareholders.
2. The sale will allow Verizon to utilize other space in the Pomona area resulting in lower operating costs and increased flexibility to more easily relocate employees and equipment.
3. The lease-back will allow Verizon to negotiate favorable lease terms for new sites and relocate employees and equipment in an orderly manner to prevent disruption of business operations.
4. The sale will not inhibit, and may improve, Verizon's ability to provide service to its customers.
5. The property has already been developed and will continue to be used for the same warehousing and administrative functions as it is today.
6. Since no construction or other change to the property is occurring as a result of this transaction, it can be seen with certainty that there is no possibility that granting this application will have an adverse impact upon the environment.
7. The application is unopposed.
8. Public disclosure of the financial information filed under seal would place Verizon at an unfair business disadvantage.

Conclusions of Law

1. The proposed sale is in the public interest and should be approved.
2. A public hearing is not necessary.

3. Verizon's request to file its financial information under seal should be granted for two years.

4. This order should be made effective immediately to allow the sale to take effect expeditiously.

O R D E R

IT IS ORDERED that:

1. The application of Verizon California Inc. (Verizon) for authority to sell to LBA Inc. approximately 27 acres of land located at 2849 Ficus Street, Pomona, California, is granted.

2. Verizon's request to have information filed with this application, and on October 30, 2007, kept under seal is granted for two years from the effective date of this decision. During that period, the information shall not be made accessible or disclosed to anyone other than the Commission staff, except on the further order or ruling of the Commission, the assigned Commissioner, the assigned Administrative Law Judge (ALJ), or the ALJ then designated as Law and Motion Judge.

3. If Verizon believes that further protection of the information kept under seal is needed, it may file a motion stating the justification for further withholding of the information from public inspection, or for such other relief as the Commission rules may then provide. This motion shall be filed no later than one month before the expiration date.

4. Application 07-08-028 is closed.

This order is effective today.

Dated _____, at San Francisco, California.