

Decision 11-01-014 January 13, 2011

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Verizon California Inc. (U-1002-C) to Discontinue Annual Shared Asset Methodology Reporting Requirement Adopted in Decision 04-03-038 as the Report No Longer Serves any Useful Purpose.

Application 10-09-007  
(Filed September 10, 2010)

**DECISION ALLOWING VERIZON CALIFORNIA INC. TO DISCONTINUE ANNUAL SHARED ASSET METHODOLOGY REPORTING REQUIREMENT ADOPTED IN DECISION 04-03-038**

**1. Summary**

Verizon California Inc. (Verizon or Applicant) requests permission to discontinue the annual shared asset methodology reporting requirement adopted in Decision (D.) 04-03-038 as the report no longer serves any useful purpose as a streamlined method of compliance with § 851 of the Public Utilities Code<sup>1</sup> for Verizon’s service company affiliates. Applicant asserts that the administrative assets subject to Pub. Util. Code § 851 were recently exempted, in total, pursuant to D.10-05-019 and that the report serves no ratemaking purpose

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<sup>1</sup> Section 851 concerns the disposition or encumbrances of utility property and provides that: a public utility...shall not sell, lease, assign, mortgage or otherwise dispose of, or encumber the whole or any part of...property necessary or useful in the performance of its duties to the public...without first having either secured an order from the commission authorizing it to do so for transactions valued above five million dollars (\$5,000,000) or for transactions valued at five million dollars (\$5,000,000) or less, filed an advice letter and obtained approval from the commission....

under the Uniform Regulatory Framework set forth in D.06-08-030. By this decision, the Commission grants Applicant's request.

## **2. Background**

In Decision (D.) 04-03-038, the Commission approved Verizon's request to adopt shared asset methodology reporting as a means of streamlining compliance with Pub. Util. Code § 851 as pertains to the shared use of administrative assets. The shared assets at issue consisted of office space, cubicles, desks, chairs, computers, etc. owned by Verizon and used by its affiliated service companies to provide administrative support functions back to Verizon.<sup>2</sup> In granting an exception from the § 851 reporting and approval requirements, the Commission mandated that Verizon file its annual year-end assessment and adjustment of shared assets report for its affiliates with the Directors of the Telecommunications Division and Office of Ratepayer Advocates.<sup>3</sup> The report was to be filed by February 1 of each year, documenting the activity for the preceding year. Verizon alone sought the § 851 exemption through the application of shared asset methodology reporting; therefore, it alone has had an annual shared assets reporting requirement.

In D.10-05-019, the Commission granted an exemption from compliance with § 851 with respect to the disposition of certain "non-controversial" assets by California telecommunications carriers (carrier) subject to the Uniform

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<sup>2</sup> D.04-03-038 at 22.

<sup>3</sup> *Id* at 27. Currently, the Communications Division and the Division of Ratepayer Advocates, respectively.

Regulatory Framework (URF).<sup>4</sup> Assets with the following account numbers in the Uniform System of Accounts of the Federal Communications Commission (FCC) were considered “non-controversial”:<sup>5</sup>

<b>Account Number</b>	<b>Account Title</b>
2111	Land
2112	Motor Vehicles
2113	Aircraft
2114	Tools & other work equipment
2121	Buildings
2122	Furniture
2123	Office Equipment
2124	General purpose computers
2690	Intangibles

Under D.10-05-019, each carrier granted a § 851 exemption must file an annual report with the Director of the Communications Division setting forth each exempted transaction claimed during the preceding calendar year. With respect to each transaction, the report separately states the type of asset sold or disposed of, the price and the nature/identification of the purchaser or transferee. The annual report is not subject to protest.<sup>6</sup>

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<sup>4</sup> URF is the regulatory framework in California that has removed the elements of cost of service and rate-of-return regulation for mid-size and large local exchange carriers.

<sup>5</sup> D.10-05-019 at 6.

<sup>6</sup> *Id.* at 38.

Verizon currently<sup>7</sup> applies shared asset methodology reporting to nine service company affiliates. These affiliates are: Verizon Corporate Resources Group, Verizon Corporate Service Corp., Verizon Corporate Services Group Inc.,<sup>8</sup> Verizon Data Services LLC,<sup>9</sup> Verizon Services Corp., Verizon Services Operations Inc., Verizon Services Organization Inc.,<sup>10</sup> Verizon Business Network Services Inc., and Verizon Enterprise Delivery LLC.<sup>11</sup>

### **3. Discussion**

In its application and amendment thereto, Verizon argues that it should be allowed to discontinue annual shared asset methodology reporting as the report no longer serves any useful function. In D.04-03-038, Verizon contends, the Commission adopted shared asset methodology reporting as a means to streamline compliance with the more onerous requirements of § 851. In D.10-05-019, with respect to certain defined assets, the Commission fully exempted carriers subject to URF from § 851.

According to Verizon, the very assets exempted from § 851, pursuant to D.10-05-019, are those assets of its service affiliates that are subject to the shared asset methodology reporting requirements. While the specifics and/or nature of the affected assets and affiliates were not clear in its initial application, Verizon's subsequent amendment substantiates that assets exempted in D.10-05-019, such as land, buildings, office space (FCC Account 2121) and office equipment

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<sup>7</sup> Or, it will do so, as of January 1, 2011.

<sup>8</sup> Formerly GTE Service Corp.

<sup>9</sup> Formerly Verizon Data Services Inc.

<sup>10</sup> Formerly GTE Consolidated Services Incorporated.

<sup>11</sup> Appendix A, Amendment to Application 10-09-007.

(FCC Account 2123), are the same assets subject to shared asset methodology reporting.<sup>12</sup>

In D.10-05-019, we exempted from § 851 the same assets of URF carriers' affiliates about which Verizon seeks to cease reporting pursuant to D.04-03-038. Thus, we agree that continued reporting of such assets is neither necessary to satisfy our legal requirements, nor useful for ratemaking purposes in light of URF. We shall no longer require Verizon to report and submit its annual assessment and adjustment of the shared asset methodology for its service company affiliates. In accordance with D.10-05-019, Verizon and all other URF carriers shall each be filing an annual report with the Director of the Communications Division setting forth each transaction, for the preceding calendar year, that relied on the §851 exemption. This annual report is not subject to protest.<sup>13</sup>

#### **4. Categorization and Need for Hearing**

In Resolution ALJ-176-3261, dated on September 23, 2010, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were not necessary. Based on the record, the Commission concludes that a public hearing is not necessary; thus, the preliminary determinations in ALJ-176-3261 will not be altered.

#### **5. Comments on Proposed Decision**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to § 311(g)(2) of the Pub. Util. Code, the

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<sup>12</sup> *Id.*

<sup>13</sup> D.10-05-019, Ordering Paragraph 5.

otherwise applicable 30-day period for public review and comment is being waived.

## **6. Assignment of Proceeding**

Nancy E. Ryan is the assigned Commissioner and W. Anthony Colbert is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. D.04-03-038 approved Verizon's request to adopt shared asset methodology reporting as a means of streamlining compliance with § 851 with respect to the shared use of administrative assets.
2. Shared administrative assets consist of office space, cubicles, desks, chairs, computers, etc. owned by Verizon and used by its affiliated service companies.
3. Verizon's affiliated service companies are; Verizon Corporate Resources Group, Verizon Corporate Service Corp., Verizon Corporate Services Group Inc., Verizon Data Services LLC, Verizon Services Corp., Verizon Services Operations Inc., Verizon Services Organization Inc., Verizon Business Network Services, Inc. and Verizon Enterprise Delivery LLC.
4. Verizon is the only carrier to request shared asset methodology reporting and is the only carrier to which the reporting requirement applies.
5. D.10-05-019 granted an exemption from compliance with § 851 with respect to the disposition of certain "non-controversial" assets by California telecommunications carriers subject to the URF.
6. Assets granted an exemption pursuant to D.10-05-019 were identified by account numbers in the Uniform System of Accounts of the FCC and consisted of: Land (2111), Motor Vehicles (2112), Aircraft (2113), Tools and other work equipment (2114), Buildings (2121), Furniture (2122), Office Equipment (2123), General purpose computers (2124), and Intangibles (2690).

7. Each carrier granted an exemption pursuant to D.10-05-019 is required to file an annual report with the Director of the Communications Division setting forth each transaction, for the preceding calendar year, that relied upon the exemption from § 851.

### **Conclusions of Law**

1. The Verizon administrative assets subject to annual shared asset methodology reporting fall under the Uniform System of Accounts account numbers that the Commission has exempted from § 851.

2. The annual shared asset methodology reporting requirement established by D.04-03-038 no longer serves any useful purpose.

3. Verizon should be allowed to take advantage of the exemption from § 851 provided by D.10-05-019.

4. Verizon should be required to file an annual report with the Director of the Communications Division setting forth each transaction, for the preceding calendar year, that relied on the § 851 exemption.

5. Since this matter is uncontested, the decision should be effective on the date it is signed.

## **O R D E R**

### **IT IS ORDERED** that:

1. Verizon California Inc. is no longer required to report and submit its annual assessment and adjustment of the shared asset methodology for its service company affiliates, pursuant to Decision 04-03-038, for those assets that fall within the following account numbers of the Uniform System of Accounts promulgated by the Federal Communications Commission: Land (2111), Motor Vehicles (2112), Aircraft (2113), Tools and other work equipment (2114),

Buildings (2121), Furniture (2122), Office Equipment (2123), General purpose computers (2124), and Intangibles (2690), in accordance with Decision 10-05-019.

2. Nothing in this order relieves Verizon California Inc. from having to file reports concerning exempted Section 851 transactions, service quality, safety or other issues that are required by other Commission decisions.

3. Application 10-09-007 is closed.

This order is effective today.

Dated January 13, 2011, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
TIMOTHY ALAN SIMON  
NANCY E. RYAN  
Commissioners