

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on May 16, 2013

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman  
Patricia L. Acampora  
Maureen F. Harris  
James L. Larocca  
Gregg C. Sayre

CASE 13-C-0160 - Verizon New York Inc. - Notice of Intent to  
Transfer Certain Property Interests at 1095  
Avenue of the Americas, New York, New York.

ORDER APPROVING TRANSFER

(Issued and Effective May 17, 2013)

BY THE COMMISSION:

INTRODUCTION

In 2005, Verizon New York Inc.'s (Verizon) office building located at 1095 Avenue of the Americas, New York, New York (the Property) was converted to a condominium. We approved the sale of 80% of the Property to NY-1095 Avenue of the Americas L.L.C. in Case 05-C-0510.<sup>1</sup> Included in the 20% of the Property retained by Verizon were the Retail Unit and the Retail Annex Main Unit; we approved the sale of these two condominium units to EOP 1095 Retail LLC, an affiliate of NY-1095 Avenue of the Americas L.L.C., in Case 08-C-0271.<sup>2</sup>

By petition dated March 25, 2013, Verizon gave notice to the Commission, pursuant to Section 99 of the Public Service

---

<sup>1</sup> Case 05-C-0510, Verizon New York Inc., Order Approving Transfer (issued June 15, 2005)(2005 Transfer Order).

<sup>2</sup> Case 08-C-0271, Verizon New York Inc., Order Approving Transfer (issued May 28, 2008).

Law (PSL), of its intent to transfer certain additional property interests to the other owners of the Property. On April 24, 2013, at the request of Staff, Verizon submitted financial exhibits detailing its proposed accounting and ratemaking treatment for the transaction.

THE PROPOSED TRANSFER

Verizon and the other owners of the Property, NY-1095 Avenue of the Americas, L.L.C. (Principal Owner), and EOP 1095 Retail LLC (with Principal Owner, collectively referred to as EOP) entered into a Consent and Settlement Agreement (Consent Agreement), dated March 25, 2013, to resolve certain disputes among the owners of the Property. Under the Consent Agreement, the ownership of certain space and condominium elements at the Property will be reorganized and/or transferred as follows:

- 7,837 square feet of below grade common space will be transferred to the Principal Owner;
- 2,984 square feet of common space will be transferred to the Principal Owner to allow for the relocation of an entrance to the MTA NYC Subway;
- 1,002 square feet of non-classified space will be assigned to the Principal Owner;
- 97 square feet of Verizon space on level B1 adjacent to Verizon's cable vault will be reclassified as common space; and
- 503 square feet of additional common space on level B2 and Floor 01 will be transferred to the Principal Owner.

To compensate Verizon for its commitments under the Consent Agreement, EOP will pay Verizon the sum of \$3 million. The Company estimates the closing costs to be about \$100,000, which results in net proceeds of approximately \$2.9 million. Based upon the current book value of the land and building, Verizon estimates that the sale of the Property will result in an overall net gain of approximately \$2.9 million. This amount includes a net gain on the sale of the land of approximately \$1 million, and a net gain on the sale of the building of approximately \$1.9 million. Verizon proposes to allocate the net proceeds of the sale between the land and the building, based upon the results of an independent appraisal conducted in 2008.

Verizon proposes to credit the approximately \$1 million gain on the sale of land to Account 7150, Gains and Losses from Disposition of Land and Artworks. As a result, the Company would retain the approximately \$1 million gain on the land. The estimated intrastate portion of that gain is approximately \$635,000.

#### DISCUSSION

The proposed transfers of Verizon's ownership interests at 1095 Avenue of the Americas, New York, New York may be properly viewed as minor adjustments to the property transfers to the identical parties that we have previously found to be in the public interest in Cases 05-C-0510 and 08-C-0271.<sup>3</sup>

---

<sup>3</sup> We determine that no significant adverse environmental impacts are associated with proposed transfer of 80% of the Property, after consideration of an Environmental Assessment Form submitted by Verizon (2005 Transfer Order). Thus, we do not need to conduct any additional environmental review for our action of this petition.

The proposed transfer and reorganization of space at the Property will have no adverse effect on Verizon's provision of service to its customers. Accordingly, pursuant to Section 99 of the PSL, we will approve Verizon's proposed transactions and find that they are in the public interest.

In approving these transactions, we must properly apportion any gains by balancing the interests of the Company's customers and shareholders. As we have explained in other Orders authorizing Verizon to transfer property,<sup>4</sup> Verizon is subject to significant competition and our regulatory decisions should reflect that reality. In competitive markets there is less need for economic regulation - such as specific regulatory accounting - and the treatment of the gain in rates will be controlled by the market. Thus, it is reasonable, consistent with our analysis in those other Orders, to allow the Company to retain the approximately \$635,000 intrastate gain on the sale of land for its continuing operations. Accordingly, we approve the accounting and ratemaking treatment proposed by the Company.

To maintain an appropriate balance, we reserve the right, in the event circumstances change, to use the gains from the proposed reorganization and transfer of space at the Property to offset rate base, or to take whatever other appropriate action is necessary. This requirement is consistent with the conditions established in our other orders approving Verizon property transfers. We expect that Verizon will use a

---

<sup>4</sup> Case 05-C-0091, Verizon New York Inc., Order Approving Transfers (issued May 20, 2005); Case 11-C-0602, Verizon New York Inc., Order Approving Transfer (issued January 20, 2012); Case 12-C-0038, Verizon New York Inc., Order Approving Transfer (issued March 16, 2012); Case 12-C-0309, Verizon New York Inc., Order Approving Transfer (issued August 16, 2012); Case 12-C-0461, Verizon New York Inc., Order Approving Transfer (issued November 28, 2012); Case 12-C-0497, Verizon New York Inc., Order Approving Transfer (issued December 14, 2012).

significant portion of the proceeds from the transactions to continue to support its service quality and carry out its obligations to upgrade and maintain its physical plant.

Finally, Verizon's request here represents one among several requests to increase cash flow (e.g., tariff amendments seeking rate increases and retention of proceeds from building sales and tax refunds). This cash flow increase (and past increases) should be viewed as a proper regulatory response to the financial stress Verizon claims it is and will be under as it continues its transition into an increasingly competitive market.

The Commission orders:

1. The petition of Verizon New York Inc. to transfer certain property interests at 1095 Avenue of the Americas, New York, New York is approved pursuant to Public Service Law §99(2), subject to the conditions established in this Order.

2. Within 60 days after the consummation of the transfer described in the body of this Order, Verizon New York Inc. shall so notify the Secretary in writing. If such transfer is not consummated within one year after the issuance of this Order, the Commission may rescind its approval.

3. This proceeding is continued, pending compliance with ordering clause 2, following which it shall be closed.

By the Commission,

(SIGNED)

JEFFREY C. COHEN  
Acting Secretary