

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Docket No. 07-_____

**Direct Testimony of David M. Swanson
On Behalf of AT&T Illinois**

AT&T Illinois Exhibit 1.0

March 12, 2007

1 **DIRECT TESTIMONY OF DAVID M. SWANSON**
2 **ON BEHALF OF**
3 **ILLINOIS BELL TELEPHONE COMPANY (“AT&T ILLINOIS”)**
4

5 **I. QUALIFICATIONS**

6 **Q. Please state your name and business address.**

7 A. David M. Swanson, 912 Country Club Drive, LaGrange, Illinois 60525.

8

9 **Q. What is your position?**

10 A. I provide real estate asset and transaction management services under contract to
11 Illinois Bell Telephone Company (“AT&T Illinois”).

12

13 **Q. What is your business experience?**

14 A. I was a real estate manager for Illinois Bell Telephone Company, now AT&T
15 Illinois, for 23 years. I handled purchases, zoning, sales, leases and
16 administrative functions related to the Company’s real estate operations. Since
17 July of 1994, I have been providing services on a contract basis, as D.M. Swan
18 Enterprises, Inc. I am also a licensed real estate broker in the State of Illinois.

19

20 **II. PURPOSE**

21 **Q. What is the purpose of your testimony?**

22 A. The purpose of my testimony is to describe the circumstances of the proposed sale
23 of the property located at 38-40 Highland Avenue, Arlington Heights, Illinois
24 60005, and to demonstrate that the transaction is in the public interest.

25

26 **Q. Please explain why AT&T Illinois made this filing.**

27 A. AT&T Illinois has entered into an Agreement of Purchase and Sale, dated
28 February 19, 2007, with Door Properties, L.L.C. (“Door”), an Illinois limited
29 liability company, for the sale of certain real estate, located 38-40 Highland
30 Avenue, Arlington Heights, Cook County, Illinois, for the sum of \$883,261.00. A
31 copy of the Agreement of Purchase and Sale is attached as Schedule A. A list of
32 the officers of the purchaser is attached as Schedule B. The sale is subject to the
33 approval of this Commission, and AT&T Illinois is seeking approval of the
34 transaction through this docket.

35

36 **III. DESCRIPTION OF REAL ESTATE**

37 **Q. Please describe the real estate which AT&T Illinois seeks to sell.**

38 A. The two-lot parcel is a rectangular corner parking lot, measuring approximately
39 139.9 feet by 100 feet (i.e., 13,993 square feet), or 0.321 acres of land. The legal
40 description of the property is:

41 LOTS 13 AND 14 IN BLOCK 2 IN A SUBDIVISION OF LOTS 26, 27,
42 28, AND 29 IN ASSESSORS SUBDIVISION OF SECTION 30,
43 TOWNSHIP 42 NORTH, RANGE 11, EAST OF THE THIRD
44 PRINCIPAL MERIDIAN IN COOK COUNTY, ILLINOIS.
45

46 The Property’s Real Estate Tax Parcel Index Numbers are 03-30-425-022-0000
47 and 03-30-425-023-0000. A copy of the survey is attached as Schedule C to this
48 Testimony.

49

50 **Q. Please describe any improvements to this real estate.**

51 A. The sale parcel is improved as a parking lot with lighting and storm drainage.
52 Telephone, electric, and Village services are available and serving adjacent
53 properties.

54 **Q. For what purpose is the real estate used?**

55 A. An adjoining facility (east and across the street) is presently used as a Call Center.
56 When the sale parcel was purchased by AT&T Illinois, the facility was one of
57 several Accounting Centers in the Chicago area and required extensive parking
58 facilities. These accounting groups have since been consolidated into other
59 locations, thus greatly reducing the parking requirements.

60

61 **Q. What zoning category applies to the real estate?**

62 A. The Village of Arlington Heights has zoned these lots R-3, One Family Zoning
63 District.

64

65 **Q. What is the current AT&T Illinois investment in these facilities?**

66 A. As of February 26, 2007, the 2111.20C Account (Operating Plant, Land)
67 investment is \$34,530.81. The 2121.10C Account (Operating Plant, Buildings)
68 book investment is \$12,690.15. (The investment in the "Buildings" category
69 takes into account the improvements discussed above.)

70

71 **Q. Do you feel that this transaction is in the best interest of the public?**

72 A. Yes, AT&T Illinois does not need this land for its operations and desires to reduce
73 its maintenance cost and real estate tax burden, which is in the public's interest.

74

75 **IV. CURRENT VALUE OF REAL ESTATE**

76 **Q. What is the current market value of the real estate?**

77 A. AT&T Services hired Integra Realty Resources, 566 West Lake Street, Suite 320,
78 Chicago, Illinois 60661, to provide an Appraisal Report reflecting its professional
79 estimate of the market value of the sale parcel and the adjacent AT&T Illinois
80 building. The report was prepared by Karen Dabek, Real Estate Analyst, and
81 Gary K. DeClark, MAI, CRE, FRIC Certified General Real Estate Appraiser.
82 Integra concluded that the market value of the sale parcel (the parking lot) is
83 \$380,000. A copy of the Appraisal Report is attached as Schedule D.

84

85 **Q. How was the property marketed to the public?**

86 A. Marketing for this property was relatively limited. Door intends to include the
87 sale parcel as part of a Planned Development District that will include a parking
88 deck, along with ground floor commercial space and residential condominiums
89 above. Door is paying AT&T Illinois substantially more for this site than other
90 developers would because it also owns the balance of the east side of the block to
91 the north of the sale parcel, and any other purchaser would not be able to use the
92 property in the same manner. The purchase price Door is paying AT&T Illinois is
93 \$63.12/square foot and is substantially higher than the appraisal price of
94 \$27.14/square foot under the existing zoning.

95

96 V. **ACCOUNTING TREATMENT OF REAL ESTATE**

97 Q. **Will the sale of this real estate impact AT&T Illinois' rate base?**

98 A. Yes. The impact is not material, however, given the overall size of AT&T
99 Illinois' total company rate base. AT&T Illinois proposes to credit the
100 Depreciation Reserve Account for Buildings, Account 3100.10X, for
101 \$208,894.27. A copy of the proposed journal entry is attached as Schedule E.

102

103 Q. **Will AT&T Illinois realize a gain or loss on this transaction?**

104 A. AT&T Illinois will realize an estimated net gain on the land of \$568,416.31.
105 This net gain will be recognized in the determination of net income. (See
106 Schedule E.)

107

108 Q. **Does this conclude your testimony?**

109 A. Yes, it does.

110

111 **Schedules**

112 A. **Agreement of Purchase and Sale**

113 B. **List of officers of Door Properties, L.L.C.**

114 C. **Plat of Survey**

115 D. **Appraisal dated March 22, 2006**

116 E. **Proposed AT&T Illinois "Journal Entry"**