

2. As Mr. Swanson's testimony explains in more detail at lines 42 through 44, the Property consists of undeveloped land. Schedules B1 and B2 to Mr. Swanson's testimony are a Plat of Survey and a Wetlands Report for the Property.

3. Because AT&T Illinois does not need the Property for its operations, it wants to sell the Property and thus reduce its maintenance costs and real estate tax burden.

4. AT&T Illinois and its broker marketed the Property to the public by listing the Property on a commercial real estate database, by making direct calls to a target list of potential buyers, by sending an email describing the Property to the brokerage community and to investors, and by sending interested parties an electronic copy of the sales brochure, as described in Mr. Swanson's testimony at lines 65 through 79. (A copy of the brochure is attached to Mr. Swanson's testimony as Schedule C.) As a result of this effort, AT&T Illinois received an offer from Medela, offering a price of \$2.58 per square foot for the property, as described in Mr. Swanson's testimony at lines 83 through 86 and 97 through 98. AT&T Illinois selected Medela because its offer met AT&T's target sale price for the property and because Medela was willing to close quickly. The amount of Medela's offer was within the range that AT&T Illinois' broker offered in its opinion of value for the property.

5. As described in Mr. Swanson's testimony at lines 55 to 56, AT&T Illinois' current investment in the facilities consists of \$492,270.00 in Account 2111.20C (Operating Plant, Land). If the sale is approved and then closes, AT&T Illinois will recognize an estimated net loss of \$37,083 on the land, which will be recognized in the

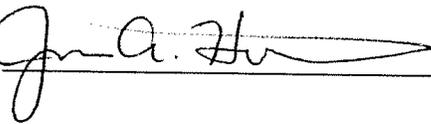
determination of net income in Account 7100. The proposed accounting treatment of the transaction is explained in Schedule D to Mr. Swanson's testimony.

6. The Commission should approve a proposed real estate sale under Section 7-102(c) of the Public Utilities Act if it is "satisfied that such petition should reasonably be granted, and the public will be inconvenienced thereby." 220 ILCS 5/7-102(c). AT&T Illinois wants to sell the Property to allow the company to reduce its maintenance costs and real estate tax burden. It is in the public's interest for these costs to be reduced, and the "public will be inconvenienced" thereby. *Id.* In addition, Medela was the only entity making an offer for the Property after several years of marketing, and its offer is consistent with the opinion of value that AT&T Illinois received from its broker. As a result, the sale is reasonable, and the public will be inconvenienced by the approval of the petition.

7. Section 7-102(c) of the Act also directs the Commission to conduct a hearing on a proposed transaction "if it deems necessary . . ." 220 ILCS 5/7-102(c). There can be no dispute that the Property is not needed to provide telecommunications services. In addition, because of the de minimus amount of the transaction compared to AT&T Illinois' total rate base, the sale of the Property will have no material impact on that rate base. Therefore, the Commission should conclude that no hearing is necessary to evaluate the proposed sale.

WHEREFORE, AT&T Illinois requests that the Agreement of Purchase and Sale for the Property, as attached as Schedule A to the Testimony of David M. Swanson, be approved without a hearing.

Respectfully submitted,

By:  _____

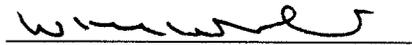
James A. Huttenhower
Attorney for Illinois Bell Telephone Company
225 West Randolph Street – Suite 25-D
Chicago, Illinois 60606
(312) 727-1444

January 13, 2010

STATE OF ILLINOIS)
)
COUNTY OF COOK) SS

VERIFICATION

I, W. Karl Wardin, state that I am Regional Vice President – Regulatory for Illinois Bell Telephone Company (“AT&T Illinois”), that I have read the above foregoing **Petition and Request For Ruling Without Hearing** and know the contents thereof, and that the same are true to the best of my knowledge, information and belief.

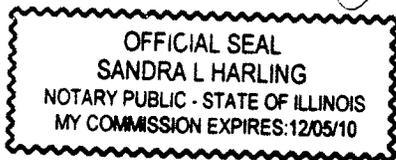


W. Karl Wardin

Subscribed and sworn to before
me this 13th day of January 2010.



Notary Public



**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Docket No. 10-_____

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

AT&T Illinois Exhibit 1.0

January 14, 2010

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

1 QUALIFICATIONS

2 Q. Please state your name and business address.

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

4

5 Q. What is your position?

6 A. I provide real estate asset and transaction management services under contract to

7 AT&T and Illinois Bell Telephone Company (the “Company” or “AT&T

8 Illinois”).

9

10 Q. What is your business experience?

11 A. I was a real estate manager for Illinois Bell Telephone Company for 23 years and

12 handled purchases, zoning, sales, leases and administrative functions related to

13 the Company’s real estate operations. Since July of 1994, I have been providing

14 services on a contract basis, as D.M. Swan Enterprises, Inc. I am also a licensed

15 real estate broker in the State of Illinois.

16

17 PURPOSE

18 Q. What is the purpose of your testimony?

19 A. The purpose of my testimony is to describe the circumstances of the proposed sale

20 of the property described below and to demonstrate that the sale is in the public

21 interest.

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

23 A. AT&T Illinois has entered into an Agreement Of Purchase and Sale, dated
24 November 18, 2009, with Medela, Inc. (“Medela”), a Delaware corporation, for
25 the sale of certain real estate located at Lot 55, Inland Business Park Phase 2,
26 Century Court, McHenry, IL, for the sum of \$496,139.19, less an amount
27 (\$15,733.87) associated with the wetlands on the property that cannot be
28 developed, yielding a net sale price of \$480,405.32. A copy of the Agreement of
29 Purchase and Sale is attached as Schedule A. Since the sale is subject to the
30 approval of the Illinois Commerce Commission, AT&T Illinois is seeking
31 approval of the transaction through this docket.

32

33 **DESCRIPTION OF REAL ESTATE**

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

35 A. Copies of the survey and Wetland Report are attached as Schedules B1 and B2 to
36 this testimony. The property is triangular in shape and contains approximately
37 4.415 acres of land, including wetlands of approximately 0.14 acres.

38

39 **Q. For what purpose is the property used?**

40 A. AT&T Illinois purchased 10.69 acres in the Inland Business Park in 2004 (Lot 55
41 & 56 indicated on the survey in Schedule B1) to build a garage and office facility
42 for its installation and repair trucks and service personnel. AT&T Illinois
43 ultimately built the needed facility only using Lot 56 and built nothing on the sale
44 property (Lot 55).

45 Q. **Does AT&T Illinois still need the property to provide telecommunications**
46 **services?**

47 A. No. AT&T Illinois does not need this additional property, and it has been
48 declared surplus.

49

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

51 A. The zoning of the land is I-1 (Light Industry District), which allows for light
52 industrial uses, including warehousing, assembly, wholesale distribution, food
53 processing, and light manufacturing.

54

55 Q. **What is the current AT&T Illinois investment in the sale parcel (Lot 55)?**

56 A. The Account 2111.20C (Operating Plant, Land) investment is \$492,270.00.

57

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

59 A. Yes, AT&T Illinois does not need this property for its operations and desires to
60 reduce its maintenance costs and real estate tax burden, which is in the public's
61 interest.

62

63 **MARKET VALUE OF REAL ESTATE**

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

65 A. AT&T began marketing the property, without success, in 2006. In 2008, our real
66 estate partner, Jones Lang LaSalle ("JLL"), started marketing the property,
67 engaging in the following activities:

- 68 1) A mass e-mail marketing campaign was used for a list of approximately
69 1,600 potential parties, developers and brokers. The e-mail campaign
70 included sending a “new on the market” flyer with basic information about
71 the property for sale. A copy of the marketing material is attached as
72 Schedule C.
- 73 2) The flyer was listed in CoStar, a commercial real estate database.
74 Interested parties that contacted JLL for more detailed information on the
75 property would be sent the Marketing Brochure, along with additional
76 information such as detailed site plans and wetland delineations.
- 77 3) A marketing campaign also targeted existing users/developers/investors in
78 McHenry County. This campaign included a direct mailing and calls to
79 those prospects to discuss the redevelopment/utilization of the land.

80

81 **Q. What kind of response did you receive from this marketing effort?**

82 A. JLL received approximately nine (9) requests for information from various
83 developers, owner/users and local brokers. Medela, which already has a facility
84 in the industrial park, made an offer to purchase the property. AT&T Illinois
85 accepted Medela’s bid, as its offer met the target sale price, it has an operational
86 need for this land, and it was willing to close immediately.

87

88 **Q. Did AT&T Illinois take steps to confirm that the chosen bid reflected the**
89 **current market value of the property?**

90 A. Since the property is located in Inland’s Industrial Business Park, AT&T obtained

91 a broker's opinion of value from JLL based on recent sales of industrial sites in
92 the area. The most recent sale of undeveloped property in the business park was
93 in November 2007 for \$2.04 per square foot. Prior to 2007, AT&T's purchase of
94 the property for \$2.58 per square foot in 2004 was the most recent comparable
95 sale. Based on this sales history and the current limited activity in the real estate
96 market, JLL's opinion was that an appropriate valuation of the property was
97 between \$2.25 and \$2.75 per square foot. The agreement with Medela reflects a
98 price of \$2.58 per square foot.

99

100 **ACCOUNTING TREATMENT OF REAL ESTATE**

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

102 A. Yes. The impact, however, is not material, given that AT&T Illinois' total
103 intrastate rate base exceeds \$2.8 billion. A copy of the proposed journal entry is
104 attached as Schedule D.

105

106 **Q. Will AT&T recognize a gain or a loss on this transaction?**

107 A. AT&T Illinois will realize a loss on the sale of land of \$37,083. This loss will be
108 recognized in the determination of net income in Account 7100. See Schedule D.

109

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

111 A. Yes, it does.

112

113

114 **SCHEDULES**

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

116 **B1.** **Plat of Survey**

117 **B2.** **Wetlands Report**

118 **C.** **Marketing Material**

119 **D.** **Proposed AT&T Illinois' "Journal Entry"**

