



Agenda Date: 3/3/21
Agenda Item: 2C

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC) ORDER APPROVING SALE
SERVICE ELECTRIC AND GAS COMPANY FOR) OF REAL PROPERTY
APPROVAL OF THE SALE AND CONVEYANCE)
OF REAL PROPERTY LOCATED AT 331 ROUTE)
202, WITH A MUNICIPAL TAX MAP)
DESIGNATION OF BLOCK 59.02 A/K/A 59.2, LOT)
26 IN THE TOWNSHIP OF MONTVILLE, COUNTY)
OF MORRIS AND STATE OF NEW JERSEY TO)
DIVERSIFIED PROPERTIES LLC FOR)
\$1,200,000.00) DOCKET NO. EM20100646

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Ana J. Murteira, Esq., Public Service Electric and Gas Company

BY THE BOARD:

BACKGROUND

On October 9, 2020, Public Service Electric and Gas Company (“PSE&G” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board”), pursuant to N.J.A.C. 14:1-5.6, seeking approval of a Contract for Sale and Conveyance of Real Estate (“Contract”) for the sale of real property (“Petition”). Specifically, PSE&G sought approval to sell a 15.05 acres parcel of vacant land (“Property”) bearing street address 331 Route 202, located at Lot 26 in Block 59.02 a/k/a 59.2 in the Township of Montville, County of Morris, New Jersey to Diversified Properties, LLC (“Buyer”) for a guaranteed base consideration amount of \$1,200,000. Additionally, PSE&G sought a waiver of the advertising requirement pursuant to N.J.A.C. 14:1-5.6(i).

The Property was originally purchased by PSE&G on October 14, 2009, for \$2,075,000 for the purpose of widening the existing Susquehanna Roseland Right-of-Way (“ROW”) and building a new transmission tower on the Property. The Property was also used for access to the ROW during construction of PSE&G’s Susquehanna-Roseland Project (“SR Project”). The Company’s purchase of the Property was charged to the SR Project. Accordingly, the Company proposed that 100% of the net sales proceeds from the sale be credited against the project costs.

PSE&G currently pays all carrying charges, including taxes, which are approximately \$33,000 annually. The value of the Property on the Company's books is \$2,177,286, which includes closing and other associated costs at the time of the purchase. PSE&G indicated that the Property is no longer needed or useful to PSE&G, and the sale of the Property will not compromise PSE&G's ability to provide safe, adequate and reliable service to the public.

According to PSE&G, the Property is not income producing and has no prospective use for utility purposes as it is currently vacant, except for the portion of the Property for which an easement would be retained to operate, maintain, upgrade or relocate of its facilities (primarily a portion of the SR Project) and to trim or remove any trees or other vegetation that PSE&G considers may endanger its facilities. The proposed PSE&G Permanent Transmission ROW easement will contain 116,051 square feet and extends generally in a north/south direction south of Route 202/Main Road.

PSE&G began advertising the Property for sale in 2014, and listed the Property for sale with a real estate broker, American Properties Realty Inc., in 2016. The Property was legally advertised two (2) times in 2014, two (2) times in 2018, and four (4) times in 2019 in the Star Ledger newspaper in accordance with N.J.A.C. 14:1-5.6(b). No bids were received in response to the advertisements. Through PSE&G's real estate broker, the Buyer submitted its offer to purchase the property.

As a result of the advertising and marketing efforts made by the Company, PSE&G requested that the Board grant a waiver of the requirement to advertise the Property pursuant to N.J.A.C 14:1-5.6(i). PSE&G submitted the following in support of its request:

- a. the waiver shall not adversely affect the public interest because PSE&G has advertised the property on numerous occasions and received no bids. Thus, PSE&G contracted with a broker to assist in marketing the property, which has led to the offer;
- b. except for the portion to be retained by easement, the remainder of the Property has never been used or useful for utility purposes;
- c. there is no prospective use of the Property for utility purposes, since it is currently vacant, except for the portion of the Property for which an easement will be retained;
- d. there is no relationship between Purchaser and PSE&G other than prospective buyer and seller;
- e. the sale of the Property shall not affect the ability to render safe, adequate and proper service;
- f. the selling price represents the fair market value of the Property to be sold based on a current independent appraisal; and
- g. re-advertising and bidding will likely not result in a higher purchase price.

On August 4, 2020, PSE&G signed the Contract with the Buyer at a guaranteed base consideration amount of \$1,200,000, subject to the Buyer's receipt of site development approvals for 40,000 gross square feet of commercial space on the Property. Pursuant to the Contract, PSE&G would be entitled to additional compensation (at closing or in the future) of \$7.50 per gross square foot, for any square footage permitted by Buyer's site development approvals that exceed the initial 40,000 square feet.

Under the Contract, the Buyer has a one-year approval period, with the right to two (2) three-month extensions, to obtain all government approvals necessary to develop the Property with a minimum of 40,000 square feet of commercial space for a use consistent with the current zoning of the Property. Should the Buyer be unable to obtain those approvals during the approval period,

or at any time thereafter, the Buyer has the option to terminate the Contract and PSE&G must refund the Buyer's deposit with interest. The Buyer will pay taxes on the Property until the closing, while PSE&G retains the risk of loss or condemnation until the Closing.

Rate Counsel Comments

On January 27, 2021, the New Jersey Division of Rate Counsel ("Rate Counsel") submitted comments indicating that it did not object to the sale of the Property subject to certain conditions. Rate Counsel recommends that the accounting for the proceeds of the sale, the loss in value between the purchase and the sale of the Property, as well as the construction and operation of the SR Project, be reviewed in PSE&G's next base rate filing or other appropriate proceeding directed by the Board. Furthermore, Rate Counsel reserves all rights to review the Company's accounting for all costs and revenues from the acquisition, ownership, management and sale of the Property in PSE&G's next base rate filing or other appropriate proceeding for prudence, recoverability and allocation. (Rate Counsel Comments at 7). Rate Counsel requested that Board approval be conditioned on certain additional provisions, which are incorporated herein.

DISCUSSION AND FINDINGS

After careful review and consideration of the Petition, exhibits, discovery and comments submitted in this matter, the Board **HEREBY FINDS** that the sale of the Property by PSE&G to the Buyer, will not adversely affect the public interest and will not affect the Company's ability to render safe, adequate and reliable service.

The Board recognizes that all parties acknowledge the Board's regulatory authority over the approval of this sale.

Accordingly, the Board **HEREBY APPROVES** the Contract for the Sale and Conveyance of the Property to the Buyer in the amount of \$1,200,000 with the net proceeds being credited to PSE&G's SR project. Additionally, the Board notes the advertising efforts made by PSE&G and **HEREBY APPROVES** the Company's request for a waiver of the advertising requirements as set forth in N.J.A.C 14:1-5.6(i).

The approval granted herein shall be subject to the following provisions:

1. This Order is based upon the specific and particular facts of this transaction and shall not have precedential value in future land transactions that may come before the Board and shall not be relied on as such.
2. PSE&G shall notify the Board and Rate Counsel if it anticipates any material changes in the Contract.
3. To the extent that the purchase price increases as a result of the Buyer receiving approval for additional space over the 40,000 gross square feet minimum, PSE&G shall notify the Board and Rate Counsel.
4. The Board and Rate Counsel retain all rights to review all costs and proceeds related to the acquisition, ownership, management and sale of the Property in PSE&G's next base rate case or another appropriate proceeding.
5. The Board and Rate Counsel retain all rights to review all costs and proceeds related to the construction and operation of the SR Project in PSE&G's next base rate case or other appropriate proceeding.
6. The net proceeds from the sale be immediately credited as an offset to the costs of the SR Project.

7. Approval of the sale does not include or imply any position as to the prudence, recoverability or allocation of costs of acquiring, owning, managing or selling the Property.
8. This Order shall not affect nor in any way limit the exercise of the authority of the Board or of this State, in any future petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matters affecting PSE&G.
9. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets or liabilities now owned or hereafter to be owned by PSE&G.
10. This Order shall not be construed to affect PSE&G's liability for Natural Resource Damages or other responsibilities or damages arising from its activities at any site or PSE&G's responsibilities or claims in any other matter arising from environmental investigation and remediation of any of its properties.
11. Within 30 days of the date of the closing on this transaction, the Company shall file with the Board proof of the closing, net transaction costs, and final journal entries along with a detailed calculation, including selling expenses, of the sale.

The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

This Order shall be effective on March 13, 2021.

DATED: March 3, 2021

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

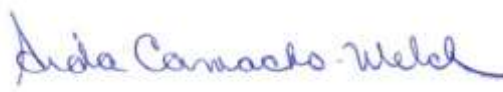


UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
SECRETARY

**IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF THE SALE AND CONVEYANCE OF REAL PROPERTY LOCATED AT 331 ROUTE 202, WITH A MUNICIPAL TAX MAP DESIGNATION OF BLOCK 59.02 A/K/A 59.2, LOT 26 IN THE TOWNSHIP OF MONTVILLE, COUNTY OF MORRIS AND STATE OF NEW JERSEY TO DIVERSIFIED PROPERTIES LLC FOR 1,200,000.
DOCKET NO. EM20100646**

SERVICE LIST

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