



Agenda Date: 7/14/11
Agenda Item: 7A

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

CUSTOMER ASSISTANCE

IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY)
PURSUANT TO N.J.A.C. 14:3-5.1(c) FOR APPROVAL)
OF THE RELOCATION OF ITS TRENTON CUSTOMER)
SERVICE CENTER FROM 15 WEST STATE STREET)
TO 28 WEST STATE STREET, TRENTON, NEW)
JERSEY)

ORDER OF APPROVAL

DOCKET NO. EO11010036

Alexander C. Stern, Esq., PSEG Services Corporation, Newark, New Jersey, on behalf of Public Service Electric and Gas Company, Petitioner

James W. Glassen, Esq., Assistant Deputy Rate Counsel, Newark, New Jersey, on behalf of the Division of Rate Counsel

BY THE BOARD:

On January 28, 2011, Public Service Electric and Gas Company ("Company" or "Petitioner") filed a petition with the Board of Public Utilities (Board) pursuant to N.J.A.C. 14:3-5.1 to relocate its business office from 15 West State Street, Trenton, New Jersey to 28 West State Street, which is also in the City of Trenton and across the street and approximately 100 feet from the present location. The Company has satisfied the requirements of N.J.A.C. 14:3-5.1(c) and (e) including the mailing of copies of the petition on January 28, 2011, to the Clerk of the affected municipality and to the Division of Rate Counsel ("Rate Counsel"). Petitioner shall further provide customers and other interested parties with adequate notification of the proposed relocation by posting a notice at the existing Trenton office location. In addition, the Company published copies of the notice in local newspapers, The Trentonian and The Times Newspaper, on February 3, 2011. Further, the relocation information will be included as a bill insert for Petitioner's customers in the area and all Company inquiry and collection telephone personnel will have the relocation information in order that customers may be directed to the proposed location. Company collection representatives working in the affected area will also notify customers of the proposed relocation and, in the event they are unable to contact an individual customer prior to discontinuance of service, information related to the relocation will be left on the meter or under the customer's door.

The lease on Petitioner's current office, which expires on December 31, 2011, covers 5,300 square feet and sets the annual rental cost at \$63,996.00. This office currently provides customers with bill payment, billing and service-related assistance.

According to its petition, the Company has been provided with the opportunity of purchasing space at 28 West State Street which is owned by State Street Square NSB Partners (State Street)¹ which intends to convert the building into a condominium with the Petitioner as one of the condominium owners. The Company asserted in the petition that a condominium association will likely be formed which Petitioner will have to join and pay monthly association dues but that the association dues would not approach the level that would bring N.J.S.A. 48:3-7.1 into play. The new office will consist of 9,036 square feet on the ground floor (7,286 square feet) and mezzanine level (1,750 square feet) of a 14-story office building which contains 99,212 square feet of rentable area. The Company indicated that while the book value of the portion of the building that it would occupy has a book value of \$431,318.00, the fair market value has been appraised and the purchase price has been set at \$350,000.00 with renovation costs estimated to be \$2,000,000.00. Petitioner also stated that the new location would be compliant with 42 U.S.C.A. ' 12101 et seq., the American with Disabilities Act, and would make parking more accessible to its customers as well as allow it to properly serve the growing number of customers who have utilized the office as well as an expected growth in the number of customers in the area.

The Company further indicated that while it would be able to employ new technical equipment for the use of its customers, no change in the number of employees or hours would occur.

After review of the entire record in this matter, including the comments filed on behalf of the Rate Counsel under cover of letter dated June 3, 2011, the Board HEREBY FINDS:

On January 28, 2011, Public Service Electric and Gas Company submitted a request pursuant to N.J.A.C. 14:3-5.1 (c) and (e) to relocate its business office from 15 West State Street, Trenton, New Jersey to 28 West State Street, Trenton, New Jersey;

2. Petitioner provided customers and other interested parties with notification of the proposed relocation by causing newspaper publication of a copy of a Notice in The Trentonian and in The Times Newspaper on February 3, 2011, and posted Notice at the former office location, as required by N.J.A.C. 14:3-5.1(e)2;
3. The closure of the office located at 15 West State Street in Trenton and its relocation to 28 West Street, also in Trenton, is not unreasonable and will neither unduly prejudice or inconvenience the public nor adversely affect the public interest; and
4. The recommended conditions contained in Rate Counsel's comments are reasonable, consistent with language contained in previous Board Orders dealing with office relocations, and will be set out below, with the exception of the suggestion that the purchase price of the unit be capped at \$350,000.00, a condition that the Board finds unnecessary.

Based on the foregoing, the Board APPROVES the relocation of Petitioner's office located at 15 West State Street, Trenton, New Jersey to 28 West State Street, Trenton, New Jersey subject to the following conditions:

¹State Street is 80 % owned by Enterprise Group Development Corporation, a wholly-owned subsidiary of PSEG Energy Holdings, LLC which is an affiliated company of Petitioner. The other 20% of the premises is owned by 28 West, L.P. and Aegis, privately owned real estate development companies headquartered in Philadelphia.


Petitioner shall maintain the same hours of operation, staffing levels and level of service as were provided at its prior location;

2. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by Petitioner;
3. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or any other matter affecting Petitioner, including any request that may be made to recover costs associated with this move;
4. As required by N.J.S.A. 46:8B-1 et seq., the Condominium Act, the Master Deed must limit the Company's expenses associated with the common elements of the premises to those common elements relating to Petitioner's condominium space;
5. Following the completion of renovations, Petitioner shall provide to the Board and to Rate Counsel an itemized final accounting of all expenses associated with the purchase, closing and renovation of the condominium unit; and
6. Petitioner shall notify the Board and Rate Counsel if there are changes in the terms of the Master Deed including any that impact the financial obligation of the Company with respect to the common elements of the building.

DATED: 7/14/11

BOARD OF PUBLIC UTILITIES
BY:

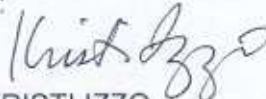

LEE A. SOLOMON
PRESIDENT

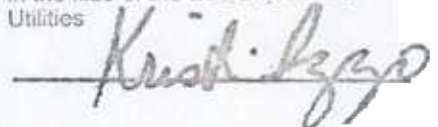

JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

ATTEST:

KRISTI IZZO
SECRETARY



**IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY
PURSUANT TO N.J.A.C. 14:3-5.1(c) FOR APPROVAL OF THE RELOCATION OF ITS
TRENTON CUSTOMER SERVICE CENTER FROM 15 WEST STATE STREET TO 28 WEST
STATE STREET, TRENTON, NJ**

DOCKET NO. EO11010036

SERVICE LIST

Alexander C. Stern, Esq.
PSEG Services Corporation
80 Park Plaza – T5G
Newark, New Jersey 07102-4194

Eric Hartsfield, Director
Julie Ford-Williams
Division of Customer Assistance
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, New jersey 07102

Caroline Vachier DAG
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, New Jersey 07101

James W. Glassen, Esq.
Assistant Deputy Rate Counsel
Division of Rate Counsel
31 Clinton Street
P.O. Box 46005
Newark, New Jersey 07101



State of New Jersey
DIVISION OF RATE COUNSEL
31 CLINTON STREET, 11TH FL
P. O. BOX 46005
NEWARK, NEW JERSEY 07101

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

STEFANIE A. BRAND
Director

June 3, 2011

VIA HAND DELIVERY

Kristi Izzo, Secretary
New Jersey Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

**Re: I/M/O Public Service Electric and Gas Company Pursuant to N.J.A.C. 14:3-5.1(c) for Approval of the Relocation of its Trenton Customer Service Center from 15 West State Street to 28 West State Street, Trenton, New Jersey
BPU Docket No. EO11010036**

Dear Secretary Izzo:

Please accept for filing in the referenced matter an original and ten (10) copies of the New Jersey Division of Rate Counsel's ("Rate Counsel") comments regarding the Public Service Electric and Gas Company's ("PSE&G" or "the Company") petition to relocate its Trenton Customer Service Center. Rate Counsel does not object to the relief requested subject to the conditions set forth herein. Enclosed is one additional copy to be date stamped as "filed" and returned to the courier. Thank you for your attention to this matter.

Background

PSE&G is a public utility of the State of New Jersey having an office at 80 Park Plaza, Newark, New Jersey. PSE&G is subject to the jurisdiction of the New Jersey Board of Public Utilities ("BPU" or the "Board") and on February 2, 2011 filed the

referenced petition with the Board seeking approval under N.J.A.C. 14:3-5.1(c) to relocate its Trenton Customer Service Center from 15 West State Street (“Old Premises”) to 28 West State Street, Trenton (“New Premises”), New Jersey on or before December 31, 2011 when its present lease expires.

The New Premises is across the street and approximately one hundred (100) feet from the current location and is accessible by the same means of mass transit as the current location. The New Premises will have better access to parking compared to the Old Premises and is expected to be fully compliant with the Americans with Disabilities Act (“ADA”). The New Premises will provide a front vestibule where PSE&G will be able to support new customer service technology in addition to cashier personnel. (Petition, paragraph 8.) The Company does not anticipate any monetary savings as it will be procuring new facilities in the same neighborhood and operating the same hours at the new location. The relocation “is intended to take advantage of current unique opportunities in the Trenton commercial property market, contribute to New Jersey’s economic recovery and enhance customer convenience.” (Petition, paragraph 10.)

The Company’s proposal, as set forth in its Petition, is unique in that it intends to purchase and own the condominium unit in which the Customer Service Center is to be located. The building in which the condominium/Customer Service Center is located is owned by State Street Square NSB Partners which is a partnership 80% owned by Enterprise Group Development Corporation, a wholly owned subsidiary of PSEG Energy Holdings, LLC which is an affiliated company of PSE&G. (Petition, paragraph 5.)

The Company asserts that it does not believe the proposed arrangement implicates the exercise of the Board’s authority pursuant to N.J.S.A. 48:3-7.1 (Petition, paragraph 5.)

Rate Counsel disagrees with the Company. However, Rate Counsel has reviewed "draft" proposed documents comprising the necessary agreements material to the petition.

Assuming the conditions requested by Rate Counsel are met, it has no objection to Board approval of the arrangement proposed in the petition. Rate Counsel notes that the Company has stated this transaction will comply with all legal requirements, which would include N.J.S.A. 46:8B-1, the Condominium Act; that the charges for the common elements not exceed fair compensation for services rendered and are not contrary to the public interest.

As noted above and proposed in the Petition, PSE&G would purchase the condominium from the partnership in which its affiliate owns a majority share. The terms of the purchase are: the sale price of the condominium would be \$350,000 and the book value \$431,318. (Petition, paragraph 4, footnote 1.) The costs of renovation are estimated to be \$2,000,000 which the Company has represented to be consistent with the costs of renovations for other recent Customer Service Center relocations. The Company has provided the cost of renovations for two other Customer Service Centers, Paterson and Elizabeth, which were \$1.5 and \$2.6 million, respectively.

As this is a transaction between the utility PSE&G and a partnership whose majority owner is an affiliate of the utility, Rate Counsel is concerned about the appearance and fact that this is not an "arms-length" transaction between the parties. No final sales agreement or Master Deed as required by the Condominium Act has been produced for examination. Therefore, Rate Counsel recommends that any final order by the Board contain requirements that; 1) PSE&G's portion of the "common elements" charges be limited to those related to the common elements of the first floor of the building; 2) and, an

itemized accounting of final renovation expenses, following completion, be provided to the Board and Rate Counsel for review.

Analysis

1. Notice

The Board's regulations provide that simultaneously with the filing of a petition to close or relocate an office, a utility must notify its customers and the clerk of each affected municipality of the pending application for permission to relocate or close the subject office. N.J.A.C. 14:3-5.1(c)(2). Further, within three days of the filing of the petition, the utility must publish a notice in the newspaper(s) serving the affected area.

In its Petition, PSE&G has provided the affidavit of Richard T. Foley, Manager Operations – Customer Service Centers of PSE&G, dated January 26, 2011, stating that notice of the request to the Board to change the location of its Trenton Customer Service Center has been posted at the current location and published in the newspapers serving the affected area, The Trenton Times and the Trentonian. (Petition, paragraph 13) Mr. Foley also testifies in his affidavit that he has served copies of the petition and provided notice to the Municipal Clerk of the City of Trenton. PSE&G has also represented that once approval for the change in location is obtained from the Board it will advise local senior citizen and other community organizations, as well as government officials, of the change in location. (Petition, paragraph 13)

In accord with the Board's regulations, the notice advised customers of their right to file comments on the proposed relocation with the Board, N.J.A.C. 14:3-5.1(c)2ii.

PSE&G has not received any complaints or comments from its notice of the proposed relocation from any customer or the affected municipality. (RCR-6, 7)

2. Reasonable/Public Interest

The Board's regulations further provide that when seeking to close or relocate an office, a utility must demonstrate to the Board that the relocation or closure is not unreasonable and that the relocation will not unduly prejudice the public interest.

N.J.A.C. 14:3-5.1(c)(1). PSE&G appears to have met both prongs of this test.

First, PSE&G has demonstrated that the decision to relocate will not unduly prejudice the public interest. The proposed new location appears to be no less convenient, in terms of being served by the same bus routes and located within a short distance of the existing Customer Service Center. Better access to parking and a more convenient and spacious lobby area are enhancements to the current location. The proposed new location will be open the same hours with the noted increase in staffing levels.

The Company states in its Petition that it anticipates a one-time payment of approximately \$38.73 per square foot for the condominium. (Petition, paragraph 7.) The Company, in discovery, provided an appraisal of the Trenton Retail Submarket prepared by Integra Realty Resources dated August 31, 2009. (RCR-11) It states that the average rental rate per square foot as of 2009 was \$15.08. (RCR-11, p. 18) 2010 actual annual operating costs of the Old Premises is \$838,826 (RCR-8) and anticipated annual operating costs of the New Premises in the first year is \$766,656 (RCR-13) and decreasing over five years to \$588,751 (RCR-13). It appears that, based upon the Company's responses to discovery, some operating cost savings may result over time.

In summary, based on the information provided or represented to Rate Counsel by PSE&G, it appears that the decision to relocate the PSE&G Customer Service Center from 15 West State Street to 28 West State Street, Trenton New Jersey will not negatively impact either customer convenience or customer service. PSE&G has promised to maintain the same hours of operation and level of service offered. It appears that the proposed new location will be as accessible to customers as the current location, is on the same thoroughfare and served by the same public transit lines, and improved access to parking.

Recommendation

Accordingly, Rate Counsel does not object to the Board's approval of PSE&G's Petition seeking approval to relocate its existing Trenton Customer Service Center to the new location. Rate Counsel recommends that any Board Order approving PSE&G's Petition contain the following language:

1. PSE&G shall maintain, at a minimum, the same hours of operation, staffing levels, and level of service as set forth in the Petition.
2. The purchase price of the condominium unit shall be no more than \$350,000.
3. The Master Deed, as required pursuant to N.J.S.A. 46:8B-1 et seq., the Condominium Act, contain provisions limiting PSE&G's expenses associated with the common elements of the premises to those common elements relating directly to PSE&G's condominium space.
4. Following completion of the renovations an itemized final accounting should be provided to the Board and Rate Counsel of all expenses associated with the purchase, closing and renovation of the condominium unit as set forth in the Petition.

5. The Board and Rate Counsel should be notified if there are any changes in the terms of the Master Deed including any that impact the financial obligations of PSE&G with respect to the common elements of the building.
6. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or any other matter affecting the Petitioner.

Subject to the terms of this letter, Rate Counsel is not opposed to approval of the referenced Petition.

Very truly yours,

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: s/ James W. Glassen
James W. Glassen
Assistant Deputy Rate Counsel

c. Service List

**In the Matter of the Petition of
PSE&G Company Pursuant to
N.J.A.C. 14:3-5.1(c) for Approval of
the Relocation of its Trenton
Customer Service Center From
15 West State Street to 28 West State
Street, Trenton, NJ
BPU Docket No. EO11010036**

Honorable Kristi Izzo
Secretary
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102

Jerome May, Director
Division of Energy
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102

Eric Hartsfield, Director
Division of Customer Assistance
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102

Alice Bator
Division of Energy
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102

Caroline Vachier, DAG
Dept. of Law & Public Safety
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101

Stefanie B. Brand
Director
Division of Rate Counsel
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Ami Morita, Esq.
Division of Rate Counsel
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Felicia Thomas-Friel, Esq.
Division of Rate Counsel
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

James Glassen, Esq.
Division of Rate Counsel
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Alexander C. Stern, Esq.
Asst. General Counsel
PSEG Services Corp.
Law Dept.
80 Park Plaza, T5G
Newark, NJ 07102-4194