



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
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 ON 148 UPPER)	
HIBERNIA ROAD, ROCKAWAY TOWNSHIP, NEW)	
JERSEY WITH A MUNICIPAL TAX MAP DESIGNATION)	
OF BLOCK 30201 LOT 31, IN THE TOWNSHIP OF)	
ROCKAWAY, COUNTY OF MORRIS AND STATE OF)	
NEW JERSEY, TO STEPHEN AND LAURA)	
TREUTLEIN FOR THE SUM OF \$300,000)	DOCKET NO. EM16060605

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
David Richter, Esq., Public Service Electric and Gas Company

BY THE BOARD:

On June 28, 2016, 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") of real property ("Property"), located in Rockaway Township, Morris County, New Jersey, to Stephen and Laura Treutlein ("Purchasers") for the sum of \$300,000. Additionally, PSE&G is requesting the Board to grant a waiver of the requirement to advertise this Property pursuant to N.J.A.C. 14:1-5.6 (i)7. A copy of the petition was served upon the New Jersey Division of Rate Counsel ("Rate Counsel").

The Property is situated at 148 Upper Hibernia Road, and is referred to as, Block 30201, Lot 31 on the official municipal tax map. PSE&G occupies the Property with a transmission tower. According to the Company, the Property was critical for the construction of the Susquehanna-Roseland Project ("Project").¹ As part of the Project, PSE&G needed to replace the original transmission tower with a new monopole and upgrade the circuits from 230 kilovolt ("kV") to a

¹ In connection with meeting the in-service date for the construction of the Project, which is required to ensure continued reliable electric utility service, the Board approved the Company's request for exemption from local land use regulation for construction of the Project in April 2010. See I/M/O the Petition of Public Service Electric and Gas Company for a Determination Pursuant to the Provisions of N.J.S.A. 40:55D-19 (Susquehanna – Roseland Transmission Line), BPU Docket No. EM09010035, (Order dated April 21, 2010), affirmed, 2013 N.J. Super. Unpub. LEXIS 304 (App. Div. 2013).

double circuit 230kVv and 500kVv line. However, access to the transmission tower on the Property was limited and PSE&G did not have the easement rights necessary to complete upgrade. Therefore, PSE&G attempted to acquire the Property through a condemnation proceeding. In an effort to resolve the matter without further litigation, the Company eventually reached a settlement with the former owner of the Property and agreed to purchase the Property. As a result, PSE&G acquired the Property on April 30, 2012 for \$875,000.

At the time PSE&G purchased the Property in 2012, the appraised value of the Property was \$769,173, which consisted of \$460,000 for the fair market value of the single-family residence and the value of total rental payments received from Verizon Wireless ("Verizon") under an existing ground lease for an attachment to the Company's transmission tower in the amount of \$309,173. PSE&G asserts that it paid a premium above the \$769,000 in order to expedite the acquisition and allow for the construction of the Project.

Since acquiring the Property, PSE&G represents that it has maintained the single-family residence located on the Property until the completion of the Project in June 2015. The purchase of the Property was also discussed with Board Staff. Board Staff had the opportunity to conduct several site visits to the Property during the course of construction. It was communicated throughout construction that the Property would be sold once the Project was completed. The Project has been completed and the transmission tower is operational. The Company notes in its filing that PSE&G's ability to provide safe, adequate and reliable service will not be compromised as the Property is a single-family home and the Company will reserve a 150-foot wide easement on the Property for the operation and maintenance of the transmission tower, as well as an access road to the easement.

As part of the sale, PSE&G further represents that it will reserve a permanent easement across the Property for access to the transmission structures and for underground utilities serving the Verizon structure. In addition, PSE&G has entered into license agreement with Verizon for Verizon's attachment to PSE&G's transmission structure. The rental value of the license agreement is \$19,700 per year for a five (5) year term, with three (3) five (5) year renewals at \$19,700 per year, plus Consumer Price Index ("CPI") increases every five (5) years.²

On April 14, 2014, PSE&G listed the Property in the Multiple Listing Service ("MLS") and has been actively marketing the Property using a residential real estate broker. On March 29, 2016, PSE&G signed the Contract for the sale of the Property with the Purchasers. Pursuant to the terms of the Contract, the purchase price is \$300,000.

On February 24, 2016, an independent appraisal set the fair market value of the Property at \$325,000. Due to the Purchasers' pending sale of their current residential home, the closing was scheduled for June 23, 2016, conditioned upon approval by the Board.

Recognizing the timeframes for residential real estate sales, PSE&G requested an expedited approval from the Board. Additionally, the Company is requesting the Board to grant a waiver of the requirement to advertise this property pursuant to N.J.A.C. 14:1-5.6 (i)7 due to the following:

- a. The waiver shall not adversely affect the public interest because PSE&G is requesting to sell a residential property;

² This license agreement subsumes the prior land lease value. Payments over the life of the license agreement and extensions (excluding CPI increases) provide an additional revenue source from the property of \$394,000.

- b. The Property is used or useful for utility purposes only because it has an existing transmission right-of-way that crosses the Property. PSE&G will retain that 150-foot right of way;
- c. There is no prospective use of the Property for additional utility purposes since it currently is occupied by a residential home and is located in a residential zoning district;
- d. The purchase price is near the fair market value as set forth in the appraisal and is the value expected to be received by a Seller in this market pursuant to the affidavit of a licensed realtor, Mary Pat Spekhardt;
- e. There is no relationship between the Purchasers and PSE&G other than prospective buyers and seller;
- f. Given its unique character as a residential single family home, in order to fully market the Property and acquire the most value the Property was listed through a MLS listing with a residential broker; and
- g. Advertising and bidding will likely not result in a purchase.

By letter dated July 21, 2016, Rate Counsel stated that it does not object to the sale of the Property or to the waiver for advertisement. However, Rate Counsel reserves the right to examine the ratemaking and accounting treatment of the transaction in the context of the Company's next base rate case or other appropriate proceeding. Rate Counsel also requests that approval of the petition include certain conditions including notification of any material changes to the Contract; the right to review all costs and proceeds of the sale in another appropriate proceeding; and a statement that the 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.

DISCUSSION AND FINDINGS:

Recognizing the unique situation surrounding the Company's need to sell residential property acquired to facilitate transmission construction associated with the Susquehanna-Roseland Project and the competitive nature of the residential real estate sales process, as well as the expeditious nature of the process, the Board **HEREBY APPROVES** the Company's request for a waiver of the requirement to advertise this property pursuant to N.J.A.C. 14:1-5.6 (i)7. The Board recognizes that the reduced appraisal and sale price of the Property from the time of PSE&G's purchase to the pending sale for a variety of reasons, including: market conditions, PSE&G's retained 150-foot easement, PSE&G's newly added access easement and the ongoing retained rights held by PSE&G relating to the Verizon license agreement.

After careful review and consideration of the petition and attachments submitted in this matter, the Board **HEREBY FINDS** that the sale of the Property by PSE&G to the Purchasers will not adversely affect the public interest and will not affect the Company's ability to render safe, adequate and reliable service. Accordingly, the Board **HEREBY APPROVES** the Contract for sale of the Property to the Purchasers in the amount of \$300,000, with the net proceeds being credited to ratepayers through an offset to PSE&G's Susquehanna-Roseland Project.

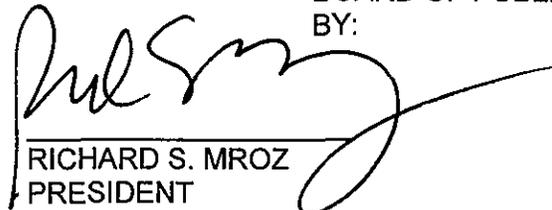
The approval granted hereinabove shall be subject to the following provisions:

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 for sale of the Property.
3. The Board and Rate Counsel retain all rights to review all costs and proceeds related to the purchase of and sale of the Property in PSE&G's next base rate case or other appropriate proceeding.
4. 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.
5. 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 the PSE&G.
6. Within thirty (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.

This Order shall be effective on August 24, 2016.

DATED: 8/24/16

BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



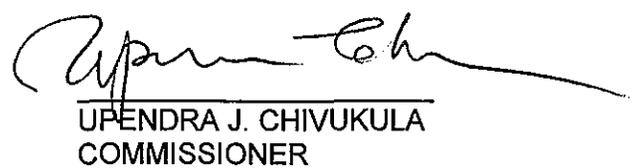
JOSEPH L. FIORDALISO
COMMISSIONER



MARY-ANNA HOLDEN
COMMISSIONER

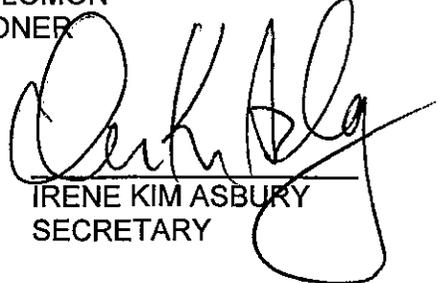


DIANNE SOLOMON
COMMISSIONER



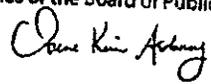
UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:



IRENE KIM ASBURY
SECRETARY

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



IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY
FOR APPROVAL OF THE SALE AND CONVEYANCE OF REAL PROPERTY LOCATED ON
148 UPPER HIBERNIA ROAD, ROCKAWAY TOWNSHIP, NEW JERSEY WITH A MUNICIPAL
TAX MAP DESIGNATION OF BLOCK 30201 LOT 31, IN THE TOWNSHIP OF ROCKAWAY,
COUNTY OF MORRIS AND STATE OF NEW JERSEY, TO STEPHEN AND LAURA
TREUTLEIN FOR THE SUM OF \$300,000

DOCKET NO. EM16060605

SERVICE LIST

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
sbrand@rpa.state.nj.us

Brian Weeks, Esq.
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003
bweeks@rpa.state.nj.us

Geoffrey Gersten, DAG
Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07101-45029
geoffrey.gersten@dol.lps.state.nj.us

David Richter, Esq.
Associate General Regulatory Counsel
Public Service Electric and Gas Company
80 Park Plaza-T5G
Newark, NJ 07102
david.richter@pseg.com

Jerry May, Director
Energy Division
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
jerome.may@bpu.nj.gov

John Masiello
Energy Division
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
john.masiello@bpu.nj.gov

Bethany Rocque-Romaine, Esq.
Office of the Chief Counsel
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
bethany.romaine@bpu.nj.gov

Megan Lupo, Esq.
Office of Chief Counsel
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, NJ 08625-0350
megan.lupo@bpu.nj.gov