



Agenda Date: 1/17/07

Agenda Item: I I A

**STATE OF NEW JERSEY**

*Board of Public Utilities*

*Two Gateway Center*

*Newark, NJ 07102*

[www.bpu.state.nj.us](http://www.bpu.state.nj.us)

IN THE MATTER OF THE PETITION OF PUBLIC )  
SERVICE ELECTRIC & GAS COMPANY (PSE&G) )  
FOR APPROVAL OF THE LEASE OF PROPERTY )  
LOCATED ALONG RIDGE ROAD (A/K/A/ NEW )  
JERSEY STATE HIGHWAY 17), WITH A MUNICIPAL )  
TAX MAP DESIGNATION OF LOT 2 IN BLOCK 144, IN )  
THE BOROUGH OF NORTH ARLINGTON, COUNTY )  
OF BERGEN AND STATE OF NEW JERSEY, TO )  
COMMERCE BANK/NORTH FOR THE ANNUAL SUM )  
OF \$81,000. )

ENERGY

ORDER

DKT. NO. EM06100756

(SERVICE LIST ATTACHED)

BY THE BOARD:

On October 26, 2006, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a petition with the Board, pursuant to N.J.A.C. 14:1-5.6, for the lease rental of real property ("Property") located in the Borough of North Arlington, Bergen County, New Jersey, to Commerce Bank/North ("Commerce Bank" or "Lessee"), a New Jersey bank with its principal office at 1100 Lake Street, Ramsey, New Jersey.

Background

By petition filed October 26, 2006, PSE&G requested approval by the Board of the lease rental of the Property for the initial rental of \$81,000 per year. The Property is known as 460 Ridge Road and is designated as Block 144, Part of Lot 2, on the official municipal tax map.

The Property is zoned by the municipality as Community Business and Residential, and therefore municipal services and utilities are readily accessible. It is part of PSE&G's Kearny-Athenia electric transmission line Right-of-Way ("ROW") and was acquired by PSE&G in 1924. The Lessee owns the adjacent lot and intends to use the Property for parking. However, the Property is currently improved with a public park area known as Jerry Portman Park, which includes 4 benches and a "U" shaped concrete walkway. This park area will be relocated by Commerce Bank. Its new location will be approximately 100 feet north of its present location within PSE&G's Right-of-Way.

The consideration for the lease of the Property consists of an initial rent of \$81,000 annually for a term of 25 years. The rent is to be adjusted at the end of each 5-year period by PSE&G based on the Consumer Price Index for All Urban Consumers, New York-Northeastern New Jersey for the preceding 5-year period. The assessed value of the entire parcel of 4.77 acres of land is \$930,100. The Company records a net book value of \$1 for the Property and pays real estate

taxes in the annual amount of \$32,460 for the entire parcel. Thus, the applicable proportional amount is 11%.

The Property was appraised by Hendricks Appraisal Company of West Orange, New Jersey, in December 2005, with an estimated rental value of \$81,000 annually. The Company was approached by Commerce Bank with an offer to lease the Property for use as additional vehicular parking. Thus, the Property was not advertised for lease. As part of this application, PSE&G seeks a waiver of the Board's advertising regulations. PSE&G claims that, in addition to the other requirements of N.J.A.C. 14:1-5.6(i), the property need not have been advertised because this was a negotiated transaction due to its specific nature and the lease payments are based on a bona fide appraisal of fair market value prepared by a licensed appraiser.

### The Lease Rental Agreement

The lease rental agreement ("Agreement") states, among other things, that:

1. PSE&G acknowledges that the Property has not warranted any environmental remediation activities;
2. The Property is leased for an initial rent of \$81,000.00 annually for a term of 25 years;
3. The rent is to be adjusted at the end of each 5-year period by PSE&G based on the Consumer Price Index for All Urban Consumers, New York-Northeastern New Jersey for the preceding 5-year period;
4. Commerce Bank will pay the appropriate property taxes;
5. Commerce Bank, at its expense, will relocate the Jerry Portman Park when the parking lot and landscaping are installed;
6. PSE&G will review and approve the construction plans for the Property and the Park; and
7. PSE&G shall continue to maintain its rights over its Right-of-Way.

In September 2006, PSE&G deemed the Property as no longer useful for utility purposes, and concluded that the Agreement would not impair the operating integrity of the remainder of the Property, or the Company's rights, or the Company's ability to provide safe, adequate, and reliable utility service to its customers.

After reviewing the Petition, the BOARD FINDS:

- The Petition is in compliance with all other aspects of N.J.A.C. 14:1-5.6, and that a waiver of the advertising regulations is appropriate because of the unique circumstances of the transaction.
- The lease rental of the Property is reasonable and the public interest will not be adversely affected by this transaction.
- PSE&G will continue to maintain its rights-of-way throughout the Property.
- The lease rental of the Property will not compromise PSE&G's ability to provide safe, adequate, and reliable utility service to its customers.

- The journal entries proposed by PSE&G to record the sale are in accordance with the Uniform System of Accounts prescribed for electric utilities.

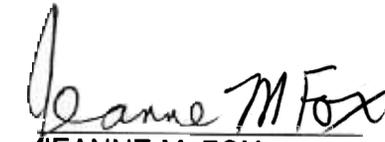
The Board further FINDS that, because the facility is located on utility-owned real property which has been supported by utility customers over the years, all revenues, including property tax savings resulting from the lease rental, shall go directly to the Company's customers by offsetting regulated rates, thereby providing an immediate benefit to customers. The Board therefore, ORDERS PSE&G to apply, upon receipt, all revenues earned from the lease rental to offset the Company's rates to its customers.

Based upon the above, the Board HEREBY APPROVES PSE&G's lease rental of its property located at 460 Ridge Road, North Arlington, New Jersey, and HEREBY AUTHORIZES the waiver of the advertising requirements in N.J.A.C. 14:1-5.6.

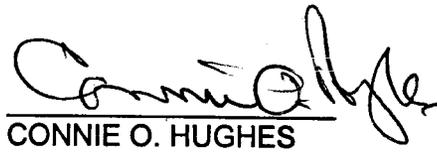
This Order shall not affect or in any way limit the exercise of the authority of this Board to revisit the issues related to ratemaking treatment of this transaction in the Company's next rate proceeding. The proposed form of journal entry is for accounting purposes only.

DATED: 1/17/07

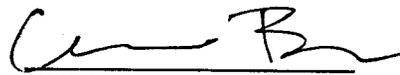
BOARD OF PUBLIC UTILITIES  
BY:

  
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PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
CONNIE O. HUGHES  
COMMISSIONER

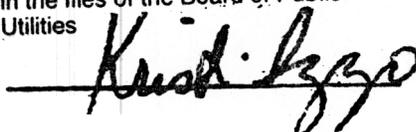
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

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



DOCKET NO. EM06100756

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