



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE APPLICATION OF) TELECOMMUNICATIONS
VERIZON NEW JERSEY, INC. FOR THE)
APPROVAL OF THE SALE AND CONVEYANCE)
OF REAL PROPERTY LOCATED IN THE) ORDER OF APPROVAL
TOWNSHIP OF BRIDGEWATER, SOMERSET)
COUNTY, NEW JERSEY TO KSM HOLDING,) DOCKET NO. TM06090662
L.L.C.)

(SERVICE LIST ATTACHED)

BY THE BOARD

On September 22, 2006, Verizon New Jersey Inc. (Petitioner or VNJ) filed an application for approval of the sale and conveyance of real property (Property) located in the Township of Bridgewater, Somerset County, New Jersey to KSM Holding LLC., (Buyer), for \$1,750,000.00. The street address of the Property is 227 Adamsville Road, Bridgewater, New Jersey and is described as Lot 1.01 in Block 221 on the official tax map designation. The Property consists of a one story, 13,760 square foot building on approximately 3.89 acres of land. The Property was acquired on October 4, 1972, at a purchase price of \$185,000.00. Improvements to the Property consist of the existing 13,760 square foot Building and subsequent internal improvements thereto at a total cost to date of \$1,823,785.00. The Net Book Value of the Property is \$1,073,874.00.

The Property has been used as a site for Petitioner's District Service Center. The Property ceased to be used for such purposes in December, 2006 when the personnel from this location were transferred to another location in Newark, New Jersey.

Welsh Chester Galiney Matone, Inc. (WCGM), a real estate appraiser, was requested to review the current market conditions and determine the fair market value of the Property. The appraiser used both comparative and income approaches to conclude, based on the available market data, as of March 3, 2004, the market value of the Property was \$1,725,000.00. On May 15, 2006, the original appraisal was reexamined by the same appraiser resulting in no change in the appraised value.

The filing also shows that the Property had been advertised in May 2006. In response to the advertisement two bids were received. These two bids received were from (1) KSM Holding, L.L.C. in the amount of \$1,750,000.00, and (2) Fallone Properties in the amount of \$903,000.00. The Petitioner believes that the Buyer's bid of \$1,750,000.00 is the best price attainable for the Property based upon the original and the updated appraisal.

According to the Petition, Petitioner is reserving its rights and interests in the Property on behalf of Petitioner, and Petitioner's successors, assigns, affiliated and associated companies and licensees. The details of these rights and interests in the form of various easements are documented in paragraph 16 of the Contract of Sale attached with the petition.

VNJ and the Buyer have asserted that they have complied with all statutory requirements regarding the sale of utility Property as contained in N.J.A.C. 14:1-5.6 and N.J.S.A. 48:3-7, and there is no relationship between the parties other than that of transferor and transferee.

The Property is not income producing, and its 2006 assessed value is \$1,663,000.00.

On February 5, 2007, the Division of the Ratepayer Advocate (RPA) filed its comments. RPA recommended that the Board grant the petition for approval of sale. However, RPA requested that the Board direct a sharing of the proceeds from the sale with the ratepayers in the form of an upward adjustment to the Opportunity New Jersey (ONJ) equipment fund. RPA questioned the business prudence of Verizon New Jersey in connection with improvements made to this and other properties prior to sale.

On February 9, 2007, VNJ filed its comments to respond to the RPA's comments. According to VNJ, even though the RPA recommended that the Board grant the petition for the approval of sale, it argues that ratepayers be permitted to share in the sale proceeds. VNJ argues that the Board squarely rejected the sharing issue in I/M/O the Board's Investigation as to Whether Ratepayers Should Share in The Proceeds Arising from the Sale and Conveyance of Real Property by Verizon New Jersey Inc., BPU Docket No. TX 04080749 (August 12, 2005). In that proceeding, according to Verizon, the Board ruled that "proceeds sharing is outside of [Verizon New Jersey's] Plan for an Alternative Form of Regulation, which has been in place since PAR-2's July 1, 2002 effective date." Furthermore, VNJ argues that in no less than six Verizon New Jersey property sales since its order in the investigative proceeding, the Board has held that RPA's argument is moot based on that Order. VNJ cited Board Orders in Docket Nos.: TM04101111 (Clifton Sale); TM05020103 (Hanover Township Sale); TM05080754 (Oradell Sale); TM05100861 (Jersey City Sale); TM05110957 (East Orange Sale); and TM06010015 (Freehold Township Sale). VNJ maintains that RPA's contentions regarding Verizon NJ's business prudence in making improvements to this and other properties were raised and rejected in connection with the Jersey City, East Orange and Freehold Sales. VNJ argues that it may have expended resources to construct and equip its properties in connection with its telecommunications business but this has no bearing on their current appraised values. Nor does it justify requiring Verizon New Jersey to retain ownership of properties that are no longer useful for utility purposes.

BOARD DISCUSSION

The Board agrees with VNJ's position that the fact that the Property was advertised and that the competitive bidding process produced a highest bid is a proper indication that the petitioner accepted the best achievable market price. The Board notes that the market value of a property is determined by the economic forces of demand and supply within a given market not on the original cost of the property. The Board further notes that the Ratepayer Advocate asserted a similar contention as to VNJ's business prudence which was rejected by the Board in I/M/O the Application of Verizon NJ for Approval of the Sale and Conveyance of Real Property in the Township of Hanover, Morris County, New Jersey to Joseph Lobo, BPU Docket No. TM05020103 (June 8, 2005). The Board also notes that the sale price of the Property is \$25,000 more than the appraised value, \$676,000 more than the book value and \$87,000 more than the assessed value.

Furthermore, the Board FINDS that it has resolved the sharing issue in its previous Order in I/M/O The Board's Investigation as to Whether Ratepayers Should Share in the Proceeds Arising from the Sale and Conveyance of Real Property by Verizon New Jersey, Inc., BPU Docket No. TX04080749 (August 12, 2005), finding that VNJ is regulated under an Alternate Plan of Regulation that does not require sharing of proceeds from the sale and conveyance of real property with VNJ's customers or ratepayers. Nothing raised in this case counters that finding and thus the finding will not be disturbed. In view of the foregoing, the Board also FINDS that the proposed sale of said Property will not affect Petitioner's ability to provide safe, adequate and proper service, is in the public interest and in accordance with law, and accordingly HEREBY APPROVES the sale, subject to the following conditions:

1. Petitioner is directed to advise the Board of the date on which the transaction is completed, within ten (10) days of completion;
2. This Order shall be of no effect, null and void, if the sale hereby approved is not completed within six (6) months of the date hereof unless otherwise ordered by the Board;

3. The approval of the proposed journal entries recording the sale of this Property shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, financing, accounting, capitalization, depreciation or in any other matters affecting Petitioner.

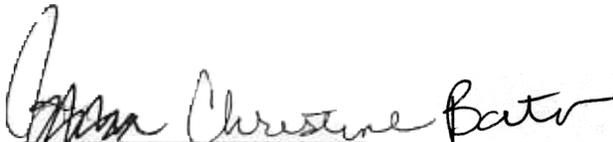
DATED: 3/22/07

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

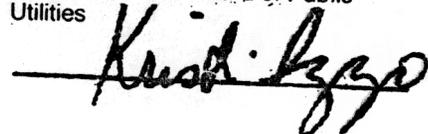

CHRISTINE V. BATOR
COMMISSIONER


JOSEPH L. FIORDALISO
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



SERVICE LIST

Docket No. TM06090662

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