



Agenda Date: 12/02/20
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

NOTICE OF TRANSFER OF PROPERTY BY)
SOUTH JERSEY GAS COMPANY IN THE)
ORDINARY COURSE OF BUSINESS PURSUANT)
TO N.J.A.C. 14:1-5.6) ORDER APPROVING SALE OF
REAL PROPERTY
DOCKET NO. GM20020170

Parties of Record:

Deborah M. Franco, Esq., South Jersey Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND

On February 19, 2020, South Jersey Gas Company ("SJG" or "Company") filed a notice ("Notice") with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:3-7 and N.J.A.C. 14:1-5.6, of its intent to sell and transfer two (2) parcels of real property ("Property") in Bridgeton, New Jersey to Newell Vine Associates, LLC ("Buyer") for the sum of \$1.00 each.

The Property consists of two (2) adjacent parcels of land which are designated as Lots 3 and 4, Block 264, on the municipal tax map of the City of Bridgeton. According to tax records, the parcels have an assessed value of \$9,500 and \$28,100, respectively. SJG originally acquired the parcels at a net book cost of \$52,000 and \$270,000, respectively, in 2009 and 2010.

The Property is located adjacent to a former SJG manufactured gas plant ("MGP") site and was used solely to allow SJG to remediate the neighboring MGP site. The remediation was completed in March 2017 when the Property ceased to be useful for utility purposes. According to the Company, the Property has negligible value due to its geography and limited use.

In addition to their relationship of transferor and transferee, SJG and the Buyer are parties to a litigation involving property adjacent to the parcels. According to SJG, the Buyer brought claims against the Company regarding MGP residuals that had impacted the Buyer's property.

SJG currently pays all carrying charges associated with the Property. Pursuant to N.J.A.C. 14:1-5.6, SJG asserted that the Property is not used or useful to the Company, and the transaction will not compromise the ability of the Company to render safe, adequate and proper service.

On April 1, 2020, SJG amended its Notice (“Amended Notice”) to provide additional factual information, proposed journal entries to record the transaction, and maps of the Property.¹

Rate Counsel Comments

On October 28, 2020, the New Jersey Division of Rate Counsel (“Rate Counsel”) submitted comments indicating that it did not object to the sale of the Property. However, Rate Counsel reserved the right to review the rate impact and prudence of the costs incurred for the purchase, sale, and ownership of the parcels in an SJG Remediation Adjustment Clause (“RAC”) filing, base rate case, or other appropriate proceeding. Rate Counsel also requested that any Order approving the Notice require SJG to meet certain conditions, which are incorporated herein.

SJG Comments

On October 29, 2020, SJG submitted a letter indicating that it did not object to the conditions recommended by Rate Counsel.

DISCUSSION AND FINDINGS

After careful review and consideration of the Notice, exhibits, discovery and comments submitted in this matter, the Board **HEREBY FINDS** that the transfer of the Property by SJG 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 **FURTHER FINDS** that the transfer of the Property will reduce the Company’s costs by eliminating the need for continued payment of carrying charges on the Property.

However, the Board notes that SJG’s proposal to sell the Property is for a sales price demonstrably lower than its assessed value and the Company did not conduct an appraisal or solicit competitive bids. Despite having a total assessed value of \$37,600, the Property is proposed to be sold for a sum of \$2.00. According to the Company, the Property has negligible value due to its “insignificant tax value as reflected on the tax records, coupled with the property’s undesirable location and limited use”.² Without an appraisal to support the Company’s position, the Board is not persuaded that the proposed sales price represents the fair market value of the Property.

Due to the foregoing concerns, the Board believes that it is appropriate for the sale of the Property to be contingent upon SJG refunding its customers an amount equal to the combined assessed value of the parcels (\$37,600), with this amount being credited to the Company’s RAC.

Accordingly, the Board **HEREBY APPROVES** the sale of the Property to the Buyer in the amount of \$2.00, with the full tax assessed value of the Property, \$37,600, being credited to the Company’s RAC for consideration and review in the Company’s RAC filing.

¹ The Amended Notice incorrectly provided that this transaction falls under N.J.A.C. 14:1-5.6 (d)(1) which applies to “The sale of personal property having a net book cost and sale price not in excess of \$100,000 and which is no longer used by or useful to the utility”. (See Amended Notice at paragraphs 3 and 4). The correct provision is N.J.A.C. 14:1-5.6(d)(3), as the net book cost and sale price of the Property is not in excess of \$500,000.

² See Amended Notice at page 2.

Additionally, the approval granted hereinabove shall be subject to the following provisions:

1. SJG shall notify the Board and Rate Counsel if it anticipates any material changes in the terms of the agreement to transfer the parcels.
2. The Board and Rate Counsel retain all rights to review all costs and proceeds related to the purchase, sale, and ownership of the parcels in a SJG RAC filing, base rate case, or another appropriate proceeding.
3. 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 Notice of Transfer of utility property, petition or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or any other matter affecting SJG.
4. 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.

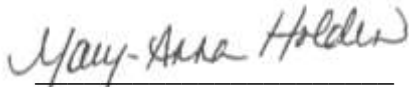
This Order shall be effective on December 12, 2020.

DATED: December 2, 2020

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

NOTICE OF TRANSFER OF PROPERTY BY SOUTH JERSEY GAS COMPANY IN THE
ORDINARY COURSE OF BUSINESS PURSUANT TO N.J.A.C. 14:1-5.6

DOCKET NO. GM20020170

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