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October 16, 2020

**Via Electronic Mail**

Hon. Aida Camacho-Welch, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 3rd Floor, Suite 314  
P.O. Box 350  
Trenton, New Jersey 08625-0350

**Re: Public Service Electric and Gas Company, Petition for Approval of Sale and  
Conveyance of Property (One MD530F Helicopter)  
BPU Docket No. EM20090599**

Dear Secretary Camacho-Welch:

Please accept for filing the comments submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") in the above-captioned matter. Copies of this comment letter are being provided to each person on the service list by electronic mail only. **Please acknowledge receipt of this comment letter.** Thank you.

**Summary**

Rate Counsel does not object to the sale of the above-referenced property by Public Service Electric and Gas Company ("PSE&G" or the "Company"), subject to the conditions set forth herein.

### **Background**

PSE&G filed a Petition for Approval of Sale and Conveyance of Real Estate (“Petition”) on September 18, 2020, asking the Board of Public Utilities (“Board”) to approve the proposed sale of certain property consisting of a 2006 McDonnell Douglas MD530F helicopter bearing manufacturer’s aircraft serial number 0146FF and U. S Registration Number N532EZ, together with its engine; all related instruments, avionics appliances, appurtenances, accessories, furnishings, components and parts, with all equipment incorporated, installed in or attached to the airframe; all ancillary items; and all aircraft documents (the “Helicopter”). *Petition*, ¶ 1; *Ex. A*. The sale price is \$1.3 million. *Petition*, ¶ 4; *Ex. C*.

The purchaser is Tim L. Harding, an individual U.S. citizen living in Bryan, Texas. *Petition*, ¶ 3. The closing date has been tentatively set for Oct. 30, 2020, conditioned on Board approval. *Petition*, ¶ 12. The purchaser will take possession of the Helicopter at Linden Airport in New Jersey (the “Delivery Location”). *Petition*, *Ex. A*, p. 2; *Staff-0024*. PSE&G states that it does not need any other regulatory approvals to sell the Helicopter. *Staff-0008*.

PSE&G supported its Petition with certain exhibits, including the September 17, 2020 Verification of Ronald S. Shute, II, Director, PSE&G Outside Plant Engineering and Construction; the August 28, 2020 Helicopter Sale and Purchase Agreement, with exhibits attached thereto (“Contract”), *Petition*, *Ex. A*; the May 13, 2020 Aircraft Marketing Agreement between PSE&G and its broker, Asian Sky Group Limited, *Petition*, *Ex. B*; a June 16, 2020 Letter of Intent, *Petition*, *Ex. C*; the July 21, 2020 Aircraft Appraisal Report by Jason Zilberbrand of VREF Aircraft Value Reference, Appraisal and Litigation Services, Buffalo Grove, IL (“Appraisal”), *Petition*, *Ex. D*; an August 20, 2020 Affidavit of Publication in the Star-

Ledger of the public notice requesting bids to purchase the Helicopter, *Petition, Ex. E*; the September 15, 2020 Certification of Non-Affiliation between PSE&G, its affiliates and subsidiaries and the contract purchaser, *Petition, Ex. F*; a proposed journal entry to record the transaction, *Petition, Ex. G (corrected by Staff-0017)*; and the September 17, 2020 Secretary Certificate of authority to sell the Helicopter, *Petition, Ex. H*. Subsequently, on October 8, 2020, PSE&G responded to Board Staff discovery requests Staff-001 through -025 and on October 9, 2020, PSE&G responded to Rate Counsel's discovery requests RC-01 through RCR-11.

PSE&G purchased the Helicopter from the manufacturer, MD Helicopters, Inc., on or about December 27, 2006, for approximately \$1.4 million. *Petition, ¶ 1; Staff-0001 & -0002; RC-0011*. Since purchasing it, PSE&G has invested approximately \$96,000 into upgrading its equipment. *Staff-0010*. The appraised value of the Helicopter is \$1,065,000, including all instruments, equipment and parts. *Petition, ¶ 5 & Ex. D; Staff-0009 & -0013*. The value of the Helicopter listed on [www.aircraftbluebook.com](http://www.aircraftbluebook.com) is \$980,000. *Staff-0009*. The net book value of the Helicopter on PSE&G's books, as of August 31, 2020, was \$692,228. *Staff-0017 & -0019, correcting Petition, ¶ 11 & Ex. G*.

PSE&G has used the Helicopter to conduct aerial inspections and system patrols of its high voltage overhead transmission system, both scheduled and emergency. *Petition, ¶ 1*. PSE&G estimates that the Helicopter conducted a total of approximately 13,500 inspections during its ownership, *Staff-0025*, but it has not conducted any since September 21, 2018, *Staff-0021*. The estimated remaining useful life of the Helicopter is 26 years. *Staff-0022*. The Helicopter is the only aircraft ever owned by PSE&G. *Staff-0004 & -0005*. PSE&G stores the Helicopter at a leased location at Linden Airport, at an annual cost of \$43,000. *Staff-0006; RC-*

0008 & -0009. PSE&G plans to terminate that airport lease after sale of the Helicopter. *RC-0010*. Maintenance on the Helicopter, estimated to cost \$50,000, is due to be performed, but PSE&G has decided not to perform it due to the pending sale. *Id.*

PSE&G retained a broker to conduct market research into the current and anticipated market for helicopters of the same and similar models. *Staff-0009; Petition, Ex. B*. PSE&G's broker received 29 qualified inquiries about the Helicopter. *Staff-0009 & -0012*. PSE&G received one other offer for the Helicopter, to lease it with an option to buy. *Staff-0011*. PSE&G rejected that offer due to the additional risk. *Id.* Subsequent to entering into the Contract that is the subject of this Petition, PSE&G published advertisements soliciting sealed bids to purchase the Helicopter, but did not receive any other offers. *Staff-0014*.

PSE&G has determined in the ordinary course of business that owning and operating the Helicopter is no longer cost-effective. *Petition, ¶ 2; Staff-0007*. The Company plans to use contracted helicopter services as needed to perform its aerial inspections, *id.*, and a combination of aerial inspections, foot patrols and climbers to inspect structures, *RC-0003*. One PSE&G employee flew the Helicopter, and the Company contracted with a third party for all its maintenance. *RC-0005*. The pilot is no longer in PSE&G's employ. *RC-0007*. PSE&G states that its time to respond to "trips" and emergencies will not increase after sale of the Helicopter. *RC-0004*.

Among the factors that PSE&G considered in its decision to sell the Helicopter were its use for less than half the industry average number of hours per year (250 to 300 vs. 300 to 600); the increase in industry-wide fatalities associated with helicopter operations (9 in 2018 vs. 5 in 2016 & 2017 combined); and the comparative operation and maintenance costs. *Staff-0007; RC-*

0001. From 2015 through 2018, PSE&G's annual operation and maintenance costs associated with the Helicopter averaged \$1.6 million, while during 2018 and 2019 the cost to hire those services from an independent contractor was \$250,000 per year. *Staff-0007; RC-0001*.

The Helicopter is not income producing, *Petition*, ¶ 9, and is no longer needed or useful to PSE&G, *id.*, ¶ 13. PSE&G asserts that selling the Helicopter will not compromise its ability to provide safe, adequate and reliable utility service. *Id.*

PSE&G proposes to credit the net proceeds from the sale of the Helicopter to its cash account. *Petition*, ¶ 10 & *Ex. G, as corrected by Staff-0017*. PSE&G proposes to net the costs of the sale<sup>1</sup> against the proceeds from the sale. *RCR-10*.

#### **Analysis under Applicable Board Statute and Regulations**

The applicable law for a utility conveyance of property is N.J.S.A. 48:3-7 and N.J.A.C. 14:1-5.6. The Company claims that it does not need any other regulatory approvals to sell the Helicopter, and Rate Counsel has no basis to dispute PSE&G's claim at this time.

The Company has determined that it is more cost-effective to perform its aerial inspections using contracted helicopter services and ground-based inspections, and the Helicopter is not currently used or useful to the Company. The Helicopter's sale price is \$1.3 million, higher than the appraised value of \$1,065,000 or its net book value on PSE&G's account books of \$692,228, and only slightly lower than its 2006 purchase price of \$1.4 million.

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<sup>1</sup> Under the Contract, each party is to pay its own costs and taxes arising from the proposed sale of the Helicopter, except that each of the parties agrees to pay 50% of the escrow agent's fee of \$2,600. *Petition, Ex. A, Articles 1.1, 7.2, 7.3(a) & 8.11*. PSE&G's costs of the sale will include paying its broker a 3% commission, or approximately \$39,000. *Petition, Ex. B, ¶ 4*.

The proposed sale will relieve PSE&G of the carrying costs for the Helicopter, of approximately \$1.6 million per year, but the Company anticipates spending approximately \$250,000 per year on contracted helicopter services. The Company proposes to credit the net proceeds from the sale of the Helicopter to its cash account. While the anticipated proceeds from the sale and its proposed accounting should be reviewed in an appropriate regulatory proceeding, the amount of money involved should not adversely affect PSE&G's finances or its ability to provide safe, adequate and proper service.

There is no relationship between PSE&G and the party from whom PSE&G purchased the Helicopter in 2006, or between PSE&G and the currently proposed purchaser, other than that of seller and purchaser.

### **Conclusion**

Rate Counsel does not object to the proposed sale of the Helicopter. However, it is Rate Counsel's recommendation that the accounting for the proceeds of the sale and carrying costs for the Helicopter be reviewed in PSE&G's next base rate filing or other appropriate proceeding directed by the Board.

Rate Counsel reserves all rights to review the Company's accounting for all costs and revenues from the acquisition, ownership, operation, maintenance and sale of the Helicopter in PSE&G's next base rate filing or other appropriate proceeding for prudence, recoverability and allocation. Accordingly, in any Order approving the sale of the Helicopter, Rate Counsel respectfully asks the Board to require PSE&G to meet the conditions set forth below:

1. PSE&G shall notify the Board and Rate Counsel if it anticipates any material changes in the sale.

2. Rate Counsel retains all rights to review all accounting, costs and proceeds related to the acquisition, ownership, operation, maintenance and sale of the Helicopter in PSE&G's next base rate case or another appropriate proceeding.
3. Approval of the sale does not include or imply any position as to the prudence, recoverability or allocation of the costs of acquiring, owning, operating, maintaining or selling the Helicopter.
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 proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or any other matter affecting the Petitioner.

Respectfully submitted,

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DIRECTOR, DIVISION OF RATE COUNSEL

By: /s/ *Brian Weeks*  
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c: Service List