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STEFANIE A. BRAND  
*Director*

October 28, 2020

**Via Electronic Mail**

Ms. Aida Camacho-Welch, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 9<sup>TH</sup> Floor  
P.O. Box 350  
Trenton, New Jersey 08625-0350

**Re: I/M/O South Jersey Gas Company  
Notice of Transfer of Block 264, Lots 3 & 4 in the City of Bridgeton, to  
Newell Vine Associates pursuant to N.J.A.C. 14:1-5.6  
BPU Docket No.: GM20020170**

Dear Secretary Camacho-Welch:

Please accept for filing in the above-referenced matter the comments of the New Jersey Division of Rate Counsel ("Rate Counsel") regarding the South Jersey Gas Company's ("SJG" or "the Company") Notice of Transfer of two parcels, known as Block 264, Lots 3 and 4, in the City of Bridgeton, New Jersey (collectively, the "Parcels"). Consistent with the March 19, 2020 Order of the New Jersey Board of Public Utilities ("Board") in I/M/O the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations, BPU Docket No. EO20030254, copies of this comment letter are being filed with the Secretary of the Board and provided electronically to each person on the service list by electronic mail only. No paper copies will follow. **Please acknowledge receipt of this comment letter.** Thank you for your consideration and attention to this matter.

### **SUMMARY**

Rate Counsel has no objection to SJG's above-referenced Notice of Transfer of the Parcels. However, Rate Counsel recommends that the accounting for this transfer be fully reviewed in the Petitioner's next Remediation Adjustment Clause ("RAC") petition or other appropriate filing before the Board.

### **BACKGROUND**

SJG is a public utility subject to the jurisdiction of the Board. On April 1, 2020 SJG e-filed with the Board an amended 30-day Notice of Transfer of the Parcels, under N.J.A.C. 14:1-5.6(d) and (e) (the "Notice"). SJG supports its Notice of Transfer with the April 1, 2020 Verification of David Robbins, Jr., President of SJG, and six exhibits, including draft bargain and sale deeds transferring the Parcels (Exs. A & B); the 2019 Final and 2020 Preliminary Tax Bills from the City of Bridgeton for the Parcels (Exs. C & D); a map showing the locations of parcels and adjacent tax lots (Ex. E); and proposed SJG journal entries showing the accounts proposed for the anticipated proceeds of the transfer (Ex. F). Subsequently, on September 14, 2020, SJG responded to Rate Counsel's discovery requests RCR-1 through RCR-15, and on October 22, 2020, SJG responded to Board Staff discovery requests S-1 through S-8.

SJG proposes to transfer the Parcels to Newell Vine Associates, LLC, the owner of immediately adjacent real property, for one dollar (\$1) each. *Notice, ¶4*. The combined area of the Parcels is approximately 19,852 square feet. *Notice, Exs. A & B*.

In 2009 and 2010 the Company purchased five lots (Block 264, Lots 1, 2, 3, 4 and 4.01), including the Parcels, paying a premium price of \$330,000 to facilitate remediation of its adjacent former manufactured gas plant ("MGP") site. *Notice ¶¶ 4 & 5; RCR-1 and Attachment RCR-1.2; S-6(c) & S-6(d)(i)*.

SJG purchased Lot 3, Block 264 on July 2, 2009 for \$50,000. *RCR-1*. That price included the tax assessment value of Lot 3, in lieu of an appraisal, as well as a full and final release from the property owner of any and all claims against SJG arising from any residual contamination on Lot 3 relating to the MGP site. *S-6(a)*.

SJG purchased Lot 4, Block 264 on July 9, 2010 as part of a separate transaction acquiring four lots (Block 264, Lots 1, 2, 4 and 4.01) for a total of \$280,000, *Attachment R-1.2; S-6(b)*; see *RCR-1*. That price included the appraised value of the four lots as well as compensation to the property owner, who operated a heating supply business on the properties, for expenses such as business interruption, rent and moving. *S-6(b)*. An appraisal of those four lots performed for SJG by LeGore and Jones Appraisal Services of Vineland, N.J. valued them, as of December 27, 2008, at \$262,000. *S-6(b) and Attachment S-6.1*.

SJG completed remediation of its MGP site in February or March 2017 to the satisfaction of the NJDEP, at which time it considered the Parcels no longer used and useful to its utility operations. *Notice, ¶5; RCR-6 and Attachments 6.1, 6.2 & 6.3*. All remediation activities have been completed, and SJG does not need to maintain any long-term engineering or institutional controls on the Parcels. *RCR-7*.<sup>1</sup>

SJG has recovered the carrying costs of the Parcels and the other three lots through its RAC filings from July 31, 2009 through July 31, 2019, since it used all five lots exclusively to complete remediation of its former MGP site. *Notice, ¶6; RCR-13*. The Company proposes to credit the proceeds from the sale of the Parcels to the RAC, *id.*, and has enclosed proposed journal entries for the proceeds, *Ex. F; RCR-10 and -11*.

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<sup>1</sup> SJG says it plans to sell Lot 1, *S-6(d)(ii)*, and Lot 4.01, *RCR-2 & -12*. It is unclear whether SJG intends to sell Lot 2. See *S-6(d)(ii)*.

SJG carries the Parcels on its books at a total value of \$322,000: Lot 3 individually for \$52,000 and Lot 4 (collectively with Lots 1, 2 and 4.01) for \$270,000. *RCR-12*. The Company also reports that the current tax assessment value of Lots 1 and 2, collectively, is \$186,000. *S-6(d)(iii)*. SJG states that the current tax assessment value of the Parcels is \$37,600, respectively \$9,500 (Lot 3) and \$28,100 (Lot 4). *Notice, ¶5; Exs. C & D; RCR-3*.

The Company states that the transfer price of \$1 each represents fair market value for the Parcels because they are located next to an MGP site, an undesirable location with limited utility. *Notice, ¶5; RCR-3*. SJG proposes to transfer the parcels because they are no longer used and useful to its utility operations and are of minimal value, and the sale will relieve the Company of the expense of their carrying costs.

Board rules mandate that it review the prudence and other public interest considerations in the sale, conveyance or lease of real or personal property of a public utility, and has established procedures for that review. N.J.A.C. 14:1-5.6; see N.J.S.A. 48:3-7. SJG is proceeding in this matter under the Notice of Transfer provisions of N.J.A.C. 14:1-5.6(d) and (e).

### **ANALYSIS**

As explained below, Rate Counsel does not object to SJG proceeding in this matter by a Notice of Transfer of Property under N.J.A.C. 14:1-5.6(d) and (e). This proposal meets the criteria of N.J.A.C. 14:1-5.6(d) and (e) to proceed by Notice. Since the proposed transaction does not raise any significant concerns for public safety and service reliability, a probing Board review is not necessary to ensure the continued provision of safe, adequate and proper service. N.J.S.A. 48:2-23.

To proceed by Notice, the material facts that SJG must show are:

In addition to any other transactions that on their merits may be deemed to be in the ordinary course of business, [utility property] transactions that may be completed without petition [but on at least 30 days' written notice] to the Board are as follows:

....

3. The sale or release of real property, or any interest therein, not used by or useful to the utility and having a net book cost and sale price not in excess of \$ 500,000.  
N.J.A.C. 14:1-5.6(d)(3).

The proposed transfer meets the above criteria, since the Company has represented that the Parcels are not used by or useful to its utility operations and do not have a net book cost and sale price in excess of \$500,000. Rate Counsel is concerned, however, that the proceeds of the sale and the carrying costs of the Parcels are properly calculated, accounted for and credited to SJG ratepayers, through a careful prudence review in an appropriate proceeding.

SJG proposes to sell the Parcels for a total of two dollars (\$2), significantly less than both the amount SJG paid to purchase them (\$50,000 and a portion of \$280,000 or \$270,000, respectively); their value on the Company's books (a portion of \$322,000) and their current combined tax assessed value (\$37,600). The Company bought the Parcels in 2009 and 2010 for \$330,000, including Lots 1, 2 and 4.01, paying a premium price for the sole purpose of facilitating remediation of its adjacent former MGP site. Since the MGP site remediation was completed in March 2017 and SJG does not report any current or prospective use of the Parcels for utility operations, the Parcels are no longer used or useful for utility purposes.

The sale of the Parcels for the nominal sum of two dollars should not adversely affect the Company's finances or its ability to provide safe, adequate and proper service. In fact, this transaction will relieve the Company of continuing to pay the carrying costs for the Parcels. Moreover, SJG has remediated its former MGP site to the satisfaction of the DEP. Thus, the sale

of the Parcels should not adversely affect the public interest. There is no relationship between SJG and either the party from whom SJG purchased the Parcels or their proposed purchaser, other than that of transferor and transferee; however, SJG is engaged in litigation with Newell Vine over properties adjacent to the Parcels. *Notice, ¶ 4; RCR-14 and -15.*

We recommend that the Board review the revenue and other issues related to the purchase, sale and carrying costs of the Parcels in a SJG RAC filing, base rate case or another appropriate proceeding.<sup>2</sup> Rate Counsel reserves all rights to review all related costs of and revenues from the purchase, sale and ownership of the Parcels in appropriate proceeding(s) for prudence and a determination that they are properly recoverable from and credited to SJG ratepayers.

### **RECOMMENDATION**

Rate Counsel does not object to SJG's Notice of Transfer of the Parcels, but reserves the right to review the rate impact and prudence of the costs incurred for their purchase, sale and ownership in an SJG RAC filing, base rate case or another appropriate proceeding. Accordingly, in any Order approving the Notice of Transfer of the Parcels, Rate Counsel respectfully asks the Board to require SJG to meet the conditions set forth below:

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. Rate Counsel retains 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.

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<sup>2</sup> We note that such review may be limited, since SJG's proposed accounting would be "below the line" for ratemaking purposes. *RCR-6.*

Ms. Aida Camacho-Welch, Secretary

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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.

Very truly yours,

STEFANIE A. BRAND

DIRECTOR, DIVISION OF RATE COUNSEL

By: /s/ *Brian Weeks*

Brian Weeks, Esq.

Deputy Rate Counsel

c. Service List (via e-mail)