



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350
www.nj.gov/bpu/

CUSTOMER ASSISTANCE

IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY) ORDER OF APPROVAL
PURSUANT TO N.J.A.C. 14:3-5.1(c) FOR APPROVAL)
OF THE RELOCATION OF ITS JERSEY CITY)
CUSTOMER SERVICE CENTER FROM 3 PATH PLAZA)
TO 35 JOURNAL SQUARE, JERSEY CITY NEW)
JERSEY) DOCKET NO. EO12080787

Alexander C. Stern, Esq., PSEG Services Corporation, Newark, New Jersey, on behalf of Public Service Electric and Gas Company, Petitioner
Brian Weeks, Esq., Assistant Deputy Rate Counsel, Newark, New Jersey, on behalf of the Division of Rate Counsel

BY THE BOARD:

On August 27, 2012, Public Service Electric and Gas Company ("Company," or "PSE&G") filed a petition with the New Jersey Board of Public Utilities ("Board") pursuant to N.J.A.C. 14:3-5.1 to relocate its existing Jersey City Customer Service Center ("CSC") from 3 PATH Plaza, Jersey City, New Jersey to 35 Journal Square, which is also in Jersey City and located 0.2 miles from the existing CSC.

As described in the petition, the lease on PSE&G's current CSC, which expires on June 30, 2013, covers 6,255 square feet, and sets the annual rental cost at \$297,450 (\$27.46 per square foot). This office currently provides customers with bill payment, billing and service-related assistance. The lease is with the Port Authority Trans-Hudson Corporation ("Port Authority" or "PATH").

According to its petition, high-density residential developments adjacent to the Journal Square PATH station in Jersey City have prompted the Port Authority to reexamine the transit hub's retail and office space, and seek to attract companies that cater to the retail shopping community. The Company states that it has been verbally informed by Port Authority that as part of its plans to upgrade the Journal Square PATH Station and bring in more retail tenants, the Port Authority does not plan to renew or extend its lease with PSE&G. Recognizing that the prospects of an acceptable long-term lease renewal at the current location are unlikely, PSE&G represents that it has continued to evaluate relocation options with the primary objective of finding a long-term space option that would maintain benefits to customers while minimizing concerns about future CSC location disruptions.

The Company has further indicated that, after evaluating multiple properties in the area surrounding the existing CSC with the assistance of independent real estate professionals, it has been provided with the opportunity to lease space at 35 Journal Square, an office building owned by Journal Square Properties, LLC ("Journal Square Properties") and located approximately 0.2 miles from the existing CSC. The proposed site, which is on the ground floor, will undergo renovation through the first half of 2013, and will be ready to provide service to the Company's customers by July 1, 2013. The Company has committed to continue the same hours of operation at the proposed location with the same personnel. Although negotiations are not yet complete, the Company and Journal Square Properties have been discussing a ten-year lease with an annual rental of \$146,760 for 4,447 square feet, resulting in a cost per square foot of \$33.00. PSE&G further estimates that it will incur expenses of approximately \$2,800,000 to construct and equip the proposed location to operate as a CSC, including compliance with the Americans With Disabilities Act requirements for first floor access.

According to the information provided by the Company, like the existing CSC, the proposed location enjoys the same access to public parking as well as to mass transit – New Jersey Transit Bus Lines as well as NJT Trains. The Journal Square PATH station is located 0.1 miles away. The new facility is also accessible by car from major roads and highways.

According to the petition, the Company has satisfied the notice requirements of N.J.A.C. 14:3-5.1(c) and (e) by mailing of copies of the petition on August 24, 2012, to the Clerk of Jersey City and to the New Jersey Division of Rate Counsel ("Rate Counsel"). The Company will provide customers and other interested parties with notice of the proposed relocation by posting a notice at the existing Jersey City CSC location. In addition, the Company published copies of the notice in local newspapers, The Star Ledger and The Jersey Journal, on September 12, 2012, including information for those customers who wish to submit objections in writing. Further, the Company stated that relocation information will be included as a bill insert for PSE&G's customers in the area, and that all Company inquiry and collection telephone personnel as well as field collection personnel will have the relocation information in order that customers may be directed to the new location. In addition, the Company commits to providing information related to the proposed CSC relocation to governmental officials, to local social and senior agencies, and will be updated on the Company's website.

After review of the entire record in this matter, including the comments filed on behalf of Rate Counsel by letter dated November 15, 2012, the Board **HEREBY FINDS:**

1. On August 27, 2012, PSE&G submitted a request pursuant to N.J.A.C. 14:3-5.1 (c) and (e) to relocate its business office from 3 PATH Plaza, Jersey City, New Jersey to 35 Journal Square, Jersey City, New Jersey;
2. PSE&G has provided customers and other interested parties with notice of the proposed relocation, as required by N.J.A.C. 14:3-5.1(e)2, by causing newspaper publication of a copy of a notice describing the proposed relocation of the CSC and the right of customers to file objections in The Star Ledger and in The Jersey Journal on September 12, 2012, and by posting notice of the proposed relocation at the current CSC office location;
3. No objections to this relocation have been received by the Board;

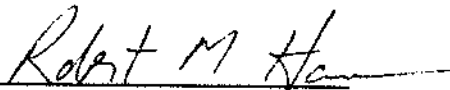
4. The closure of the office located at 3 PATH Plaza in Jersey City and its relocation to 35 Journal Square, also in Jersey City, is not unreasonable and will neither unduly prejudice or inconvenience the public nor adversely affect the public interest; and
5. The recommended conditions contained in Rate Counsel's comments are adequately addressed by the Board's approval conditions set forth below, and properly recognize that PSE&G must act prudently at all times while avoiding the Board involving itself in decisions that at this point are the responsibility of utility management.

Therefore, based on the foregoing, the Board **APPROVES** the relocation of PSE&G's CSC office located at 3 PATH Plaza, Jersey City, New Jersey to 35 Journal Square, Jersey City, New Jersey subject to the following conditions:


1. PSE&G shall maintain the same hours of operation, staffing levels and level of service as were provided at its prior location;
2. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by PSE&G; and
3. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or any other matter affecting the Company, including any request that may be made to recover costs associated with this move.

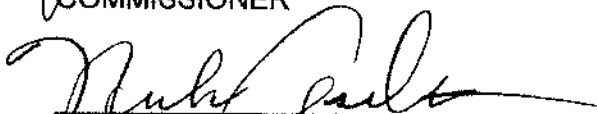
DATED: 12/19/12

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER

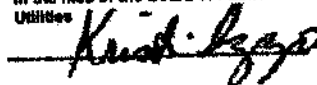

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER


MARY-ANNA HOLDEN
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



IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY
PURSUANT TO N.J.A.C. 14:3-5.1(c) FOR APPROVAL OF THE RELOCATION OF ITS
JERSEY CITY CUSTOMER SERVICE CENTER FROM 3 PATH PLAZA TO 35 JOURNAL
SQUARE, JERSEY CITY NEW JERSEY

DOCKET NO. EO12080787

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RECEIVED

State of New Jersey

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NO BPU
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REC'D

CHRIS CHRISTIE
Governor

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KIM GUADAGNO
Lt. Governor

NO BPU
CASE MANAGEMENT

STEFANIE A. BRAND
Director

November 15, 2012

VIA UPS OVERNIGHT DELIVERY

Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th floor
P.O. Box 350
Trenton, New Jersey 08625-0350

**Re: I/M/O Petition of Public Service Electric and Gas Company Pursuant to N.J.A.C. 14:3-5.1(c) for Approval of the Relocation of its Jersey City Customer Service Center from 3 PATH Plaza to 35 Journal Square, Jersey City, New Jersey
BPU Docket No. EO12080787**

Dear Secretary Izzo:

Please accept for filing in the referenced matter an original and ten (10) copies of the New Jersey Division of Rate Counsel's ("Rate Counsel") comments regarding the Public Service Electric and Gas Company's ("PSE&G" or "the Company") petition to relocate its Jersey City Customer Service Center. Rate Counsel does not object to the relief requested subject to the conditions set forth herein. We enclose one additional copy to be date stamped as "filed" and return in the enclosed self-addressed stamped envelope. Thank you for your attention to this matter.

Background

PSE&G is a public utility of the State of New Jersey having an office at 80 Park Plaza, Newark, New Jersey. PSE&G is subject to the jurisdiction of the New Jersey

Handwritten signature: Stefanie A. Brand

Board of Public Utilities (“BPU” or the “Board”) and on August 24, 2012 filed the referenced petition with the Board seeking approval under N.J.A.C. 14:3-5.1(c) to relocate its Jersey City Customer Service Center from 3 PATH Plaza (“Old Premises”) to 35 Journal Square, Jersey City (“New Premises”), New Jersey on or before June 30, 2013 when its present lease expires. (Petition ¶ 1) The facts set forth below are based on representations by PSE&G in its Petition and supporting Affidavit of Eric Martinez and the Company’s responses to Rate Counsel’s discovery requests.

The New Premises is approximately two tenths of a mile from the current location and is similarly accessible by mass transit as the Old Premises. (Petition ¶¶ 3, 7) The New Premises will have similar access to parking compared to the Old Premises and is expected to be fully compliant with the Americans with Disabilities Act (“ADA”). (Petition ¶ 7; RCR-18) The Company does not anticipate any net monetary savings. The Company will lease a smaller facility (4,447 square feet v. 6,255 square feet now) (Petition ¶ 6), at lower rent (\$33 per square foot escalating to \$39.44 in year ten v. \$45 per square foot now) (Petition ¶ 6; RCR-13), in the same neighborhood. However, the Company’s total projected operating costs during year one in the New Premises (\$1,180,985) will be about 10% higher than those reported by the Company for 2011 in the Old Premises (\$1,072,044). (RCR-8, RCR-16). Moreover, the Company must incur expenses of approximately \$2.8 million to equip the New Premises to serve as a customer service center. (Petition ¶ 6; RCR-15) The Company plans to operate the New Premises with the same personnel and during the same hours as the Old Premises. (Petition ¶ 6; RCR-3; RCR-4) The relocation “is intended primarily to gain customer service center location certainty while maintaining uninterrupted customer service and also taking advantage of

current opportunities in the Jersey City commercial property market,” (Petition ¶ 1) and “will allow [PSE&G] to obtain desired certainty associated with rental space in Jersey City, capitalize on the current tenant-friendly economic climate affecting the commercial rental market and provide comparable service assistance to customers,” (Petition ¶ 3), while “supporting economic development,” (Petition ¶ 6).

Rate Counsel has reviewed the Petition and supporting Affidavit of Eric Martinez and the Company’s responses to Rate Counsel’s discovery requests. Assuming the conditions requested by Rate Counsel as set forth below are met, it has no objection to Board approval of the arrangement proposed in the petition.

PSE&G proposes in the Petition to lease the New Premises from Journal Square Properties, LLC, an independent real estate development company, an entity with which PSE&G has no existing business relationship. (Petition ¶ 6; RCR-10) The Company anticipates that the parties will enter into a lease, which is under negotiation at this time, for a period of ten years with an annual rent starting at \$175,560 for 4,447 square feet of space in year one, or \$33 per square foot, gradually escalating to \$39.44 per square foot in year ten. (Petition ¶ 6; RCR-13; RCR-16) Other properties are available with base rent asking prices ranging from \$18.00 to \$50.00; however, those properties did not have all the required physical characteristics (i.e. size, street access/visibility, parking access, and mass transportation access) available at the New Premises. (RCR-13).

The Company estimates the costs of renovating the New Premises to be \$2,800,000. (Petition ¶ 6; RCR-15). The Company has represented that, due to the anticipated scope of work, “[t]here is no recent comparable [Customer Service Center] construction project.” (RCR-15) PSE&G stated that its anticipated annual operating

costs of the New Premises over the next five years range from \$1,180,985 starting in 2013 to \$1,297,435 starting in 2017, (RCR-16). The Company's projected operating costs during year one in the New Premises (\$1,180,985) are about 10% higher than those reported by the Company for 2011 in the Old Premises (\$1,072,044). (RCR-8; RCR-16)

Therefore, Rate Counsel recommends that any final order by the Board contain requirements that PSE&G provide to the Board and Rate Counsel for review an itemized accounting of final renovation expenses, following completion.

Analysis

1. Notice

The Board's regulations provide that simultaneously with the filing of a petition to close or relocate an office, a utility must notify its customers and the clerk of each affected municipality of the pending application for permission to relocate or close the subject office, N.J.A.C. 14:3-5.1(e)(2), and, within three days of filing the petition, the utility must publish a notice in the newspaper(s) serving the affected area. Id.

In its Petition, PSE&G has provided the affidavit of Eric Martinez, Manager Operations – Customer Service Centers of PSE&G, dated August 23, 2012, stating that notice of the request to the Board to change the location of its Jersey City Customer Service Center has been posted at the current location and published in the newspapers serving the affected area, The Star Ledger and the Jersey Journal. (Martinez Affidavit ¶ 6; Petition ¶ 11) Mr. Martinez also stated in his affidavit that he has served copies of the petition and provided notice to the Clerk of the City of Jersey City. (Martinez Affidavit ¶ 7; Petition ¶ 10) PSE&G has also represented that once approval for the change in location is obtained from the Board it has developed a detailed communications plan to

advise community organizations, including but not limited to local social and senior agencies, as well as government officials, of the change in location. (Petition ¶ 9)

In accord with the Board's regulations, the notice advised customers of their right to file comments on the proposed relocation with the Board, N.J.A.C. 14:3-5.1(e)2.

PSE&G stated that it has not received any complaints or comments from its notice of the proposed relocation from any customer or the affected municipality. (RCR-5; RCR-7)

2. Reasonable/Public Interest

The Board's regulations further provide that when seeking to close or relocate an office, a utility must demonstrate to the Board that the relocation or closure is not unreasonable and will not unduly prejudice the public interest. N.J.A.C. 14:3-5.1(e)(1). PSE&G appears to have met both prongs of this test.

First, PSE&G has demonstrated that the decision to relocate will not unduly prejudice the public interest. The New Premises appears to be no less convenient, in terms of being served by the same level of public transportation, with similar access to parking, and located within a short distance of the Old Premises. The proposed new location will be open the same hours with the same level of staffing. (Petition ¶ 6)

The Company stated that it currently pays rent of \$45 per square foot for the Old Premises of 6,255 square feet, for an annual rent of \$281,475, and anticipates paying rent of \$33 per square foot escalating to \$39.44 per square foot in year ten of lease for the New Premises of 4,447 square feet, for an annual rent starting at \$146,751 and rising to \$175,389.68 in year ten. (Petition ¶ 6; RCR-13; RCR-11) The Company, in responses to discovery, stated that it analyzed eleven properties with available space in Jersey City that could serve as the new customer service center, and that the rents ranged from a low

of \$18 to a high of \$50 per square foot. (RCR-13) The Company stated that it rejected all of those properties except the New Premises because they did not have all the required physical characteristics (i.e. size, street access/visibility, parking access, and mass transportation access) required for the customer service center and available at the New Premises. (RCR-13) Although it appears that, based upon the Petition and the Company's responses to discovery, relocating to the New Premises will result in some rental cost savings, the Company anticipates that net operating costs at the New Premises will rise by about 10%.

PSE&G stated that its anticipated annual operating costs of the New Premises over the next five years range from \$1,180,985 starting in 2013 to \$1,297,435 in 2017, (RCR-16). The Company's projected operating costs during year one in the New Premises (\$1,180,985) will be about 10% higher than those reported by the Company for 2011 in the Old Premises (\$1,072,044). (RCR-8, RCR-16). It appears that, based upon the Company's responses to discovery, relocating to the New Premises will not result in any operating cost savings. The Company also estimated that it will incur estimated expenses of \$2.8 million to renovate the New Premises. (Petition ¶ 6; RCR-15) However, PSE&G has stated that it must relocate from the Old Premises when its lease expires on June 30, 2013, since its current landlord, the Port Authority Trans-Hudson Corporation, has advised that it "does not plan to renew or extend its lease" because it plans "to upgrade the [Old Premises] and bring in more retail tenants." (Petition ¶¶ 1, 2) Accordingly, PSE&G may incur the expenses to renovate a new location for its Jersey City customer service center in any event.

In summary, based on the information provided or represented to Rate Counsel by PSE&G, it appears that the decision to relocate the PSE&G Customer Service Center from 3 PATH Plaza to 35 Journal Square, Jersey City, New Jersey will not negatively impact either customer convenience or customer service. PSE&G has stated that it plans to maintain the same hours of operation and level of service offered. It appears that the New Premises will be similarly accessible to customers as the Old Premises, being served by the same train and public bus lines with the same access to parking.

Recommendation

Accordingly, Rate Counsel does not object to the Board's approval of PSE&G's Petition seeking approval to relocate its existing Jersey City Customer Service Center to the New Premises, subject to the conditions set forth herein. Rate Counsel recommends that any Board Order approving PSE&G's Petition contain the following language:


1. PSE&G shall maintain, at a minimum, the same hours of operation, staffing levels, and level of service as set forth in the Petition.
2. PSE&G shall maintain, at a minimum, the same level of accessibility for persons with disabilities as set forth in the Petition.
3. The rental price of the New Premises shall begin at no more than \$33 per square foot in year one of the Lease and escalate to no more than \$39.44 per square in year ten.
4. The final, executed version of the Lease shall contain provisions limiting PSE&G's operating expenses associated with rental of the New Premises to those relating directly to PSE&G's customer service center space.
5. PSE&G's rental expenses and operating expenses associated with rental of the New Premises shall remain comparable with PSE&G's rental expenses and operating expenses for the Old Premises, adjusted for inflation.

6. Following completion of the renovations, PSE&G should provide to the Board and Rate Counsel an itemized final accounting of all expenses associated with the renovation of the New Premises, which shall be reasonable and prudent and which shall in any event not exceed \$2.8 million.
7. The Board and Rate Counsel should be notified if there are any changes in the terms of the Lease including any that impact the financial obligations of PSE&G with respect to rental of the New Premises.
8. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or any other matter affecting the Petitioner.

Subject to the terms of this letter, Rate Counsel is not opposed to approval of the above-referenced Petition.

Very truly yours,

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: 
Brian Weeks
Deputy Rate Counsel

c. Service List

**I/M/O The Petition of PSE&G Co.
Pursuant to N.J.A.C. 14:3-5.1(c) For
Approval of The Relocation Of Its
Jersey City Customer Service Center
From 3 Path Plaza to 35 Journal
Square, Jersey City, NJ
BPU Dkt. No. EO12080787**

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