



Agenda Date: 5/22/18  
Agenda Item: 21

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314**  
**Post Office Box 350**  
**Trenton, New Jersey 08625-0350**  
**[www.nj.gov/bpu/](http://www.nj.gov/bpu/)**

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH )  
JERSEY GAS COMPANY FOR APPROVAL OF THE )  
SALE AND CONVEYANCE OF REAL PROPERTY )  
LOCATED ON BLOCK 502 LOT 3, IN THE BOROUGH )  
OF FOLSOM, COUNTY OF ATLANTIC COUNTY )  
ORDER APPROVING SALE )  
OF REAL PROPERTY )  
DOCKET NO. GM18010026 )

**Parties of Record:**

**Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel**  
**Stacy A. Mitchell, Esq., South Jersey Gas Company**

**BY THE BOARD:**

On January 10, 2018, South Jersey Gas Company ("SJG" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.A.C. 14:1-5.6, seeking approval of an Agreement of Sale and Conveyance of Real Estate ("Contract") of the real property ("Property"), located in Folsom, Atlantic County, New Jersey, to Joseph Shelli Properties LLC ("Purchaser") for the sum of \$580,000.00. Additionally, the Petition sought a waiver of the requirement to advertise this property pursuant to N.J.A.C. 14:1-5.6(i).

According to the petition, the Property consists of approximately 118 acres of farm land surrounding SJG's headquarters and is situated northeast of Mays Landing – Blue Anchor Road (County Route 561), between Twelfth Street (State Route 54) and Eleventh Street and is referred to as Lot 3, Block 502 on the official municipal tax map. SJG acquired the property and three adjacent lots in 2007 for a value of \$578,671.

The Company indicates that in March 2008 New Jersey Department of Environmental Protection ("NJDEP") entered into a settlement agreement ("NJDEP Settlement") with SJG. As part of the NJDEP Settlement, the Property (including the three adjacent lots) was included in SJG's Remediation Adjustment Clause ("RAC") in settlement of NJDEP's claims against SJG for Natural Resource Damages ("NRD") arising out of SJG's legacy Manufactured Gas Plant ("MGP") operations. As part of the NJDEP Settlement, SJG agreed to deed restrict the use of the Property to farming or other activity that would preserve the conservation value of the land. No building or development is allowed on the Property. The NJDEP Settlement allows NJDEP

the right to first refusal on the Property. By email dated September 1, 2017, NJDEP confirmed that NJDEP chose not to exercise its right of first refusal and that the conservation restriction shall remain on the Property following the proposed sale.

The Property has been leased to the Purchaser for the past twenty years for farmland. SJG represents that the Property is not now or prospectively required or useful for utility purpose, nor has there been rental income derived therefrom. The Company further represents that the proceeds from the sale of the Property will be applied as credit to the RAC, thus providing no income to the Company.

According to an appraisal obtained by the Company, the Property's assessed market value is \$476,000. Since the "net book cost" or "fair market value" does not exceed \$500,000, SJG asserts that no advertising should be required for the Property sale. However, since the purchase price does exceed \$500,000, the Company requests that the Board grant a waiver of the requirement to advertise this property pursuant to N.J.A.C. 14:1-5.6(i)7 due to the following:

- a. The waiver will not adversely affect the public interest;
- b. The Property is not used or useful for utility purposes;
- c. There is no prospective use of the Property for utility purposes due to the existing conservation deed restrictions;
- d. The purchase price exceeds the "fair market value" of the Property based on a current independent appraisal;
- e. There is no relationship between the parties but for transferor/transferee and lessor/lessee;
- f. The Property is unique in that its use is deed restricted to farming or similar operations only; and
- g. The Purchaser has farmed the Property for over 20 years and likely represents the only bona fide purchaser for the Property.

By correspondence dated March 27, 2018, the New Jersey Division of Rate Counsel ("Rate Counsel") submitted comments on the petition. In its comments, Rate Counsel stated that it does not object to the sale of the Property or to the waiver for advertisement. However, Rate Counsel recommended that the Board review the revenue and other issues related to the purchase and sale of the Property in a SJG base rate case, RAC filing or in another appropriate proceeding. Rate Counsel further reserved all rights to review all related costs of and revenues from the purchase and sale of the Property in appropriate proceeding(s) for prudence and a determination that they are properly recoverable from and credited to SJG ratepayers. Accordingly, Rate Counsel requested that any Order approving the petition require SJG to meet certain conditions, which are incorporated herein.

### **DISCUSSION AND FINDINGS**

Recognizing the unique situation of the Property, the Company's desire to sell the Property and the terms of the NJDEP Settlement, the Board **HEREBY APPROVES** the Company's request for a waiver of the requirement to advertise this property pursuant to N.J.A.C. 14:1-5.6(i)7.

After careful review and consideration of the petition and attachments submitted in this matter, the Board **HEREBY FINDS** that the sale of the Property by SJG to the Purchaser will not adversely affect the public interest and will not affect the Company's ability to render safe, adequate and reliable service. Accordingly, the Board **HEREBY APPROVES** the Contract for sale of the Property to the Buyer in the amount of \$580,000, with the net gain being credited to the RAC.

The approval granted hereinabove shall be subject to the following provisions:

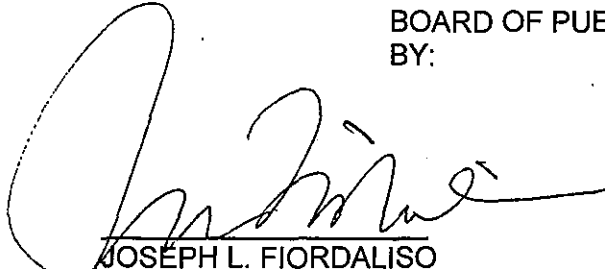
1. This Order is based upon the specific and particular facts of this transaction and shall not have precedential value in future land transactions that may come before the Board and shall not be relied on as such.
2. SJG shall notify the Board and Rate Counsel if it anticipates any material changes in the contract for sale of the Property.
3. The Board and Rate Counsel retain all rights to review all costs and proceeds related to the purchase of and sale of the Property in SJG's next base rate case or other appropriate proceeding.
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 proceedings with respect to rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matters affecting SJG.
5. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets or liabilities now owned or hereafter to be owned by the Company.
6. Within thirty (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 June 1, 2018.

DATED: 5/22/18

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

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 SOUTH JERSEY GAS COMPANY FOR APPROVAL  
OF THE SALE AND CONVEYANCE OF REAL PROPERTY LOCATED ON BLOCK 502 LOT 3,  
IN THE BOROUGH OF FOLSOM, COUNTY OF ATLANTIC COUNTY  
DOCKET NO. GM18010026

SERVICE LIST

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