



Agenda Date: 5/28/19  
Agenda Item: 2D

**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 PUBLIC SERVICE ELECTRIC )	ORDER APPROVING TITLE
AND GAS COMPANY – NOTICE OF )	TRANSFER OF REAL
INTERCOMPANY TITLE TRANSFER OF MGP )	PROPERTY
PROPERTY BLOCK 1083, LOT 30, 246-250 )	
PASSAIC ST. PASSAIC, NEW JERSEY )	DOCKET NO. EM19010033

**Parties of Record:**

**Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel**  
**Ana J. Murteira, Esq., PSEG Services Corporation**

**BY THE BOARD:**

On January 4, 2019 Public Service Electric and Gas Company (“PSE&G” or “Company”) filed a Notice of Intercompany Title Transfer (“Notice”) notifying the New Jersey Board of Public Utilities (“Board” or “BPU”) of an intercompany transfer of certain property in the City of Passaic, Passaic County. The Notice was submitted in compliance to the law for a utility conveyance of property as stated in N.J.S.A. 48:3-7 and N.J.A.C. 14:1-5.6.

The Notice asserted that the transaction is not a sale, but represents a transfer of an asset from the wholly owned subsidiary New Jersey Properties, Inc. (“NJP”) to its parent, PSE&G, which must be recorded at book value. As such, NJP and PSE&G executed an Intercompany Agreement to Transfer Legal Title to Real Property (“Contract”) for the vacant property known as Block 1083, Lot 30 in the City of Passaic, County of Passaic and State of New Jersey known as 246-250 Passaic Street (“Property”) at a book value of \$559,791.08. The Company will use the Property to construct, operate and maintain a new 69 kilovolt (“kV”) electrical substation, immediately adjacent to an existing 26 kV substation. The existing 26 kV substation will be retired due to its old age.

The Property was part of the former Passaic Gas Works and is contiguous to PSE&G’s existing Passaic Substation. NJP acquired the Property as part of its remedial requirements pursuant to its Manufactured Gas Plant (“MGP”) program. The Property was purchased in December 2016 at a purchase price of \$550,000. PSE&G stated that following the completion of remediation of contaminated soil at the property, Company will prepare a Remedial Action Report (“RAR”) for the Property according to New Jersey Department of Environmental Protection (“NJDEP”)

regulations and guidelines. No legal transfer of the Property can take place between parties until the report is submitted and approved by the NJDEP.

PSE&G will be responsible to complete any remaining remediation work. The Company requested that reimbursement of its costs to remediate the property, as well as its non-remediation costs, flow through the Remediation Adjustment Clause ("RAC"). PSE&G's remediation costs are partially recovered through claims against its Associated Electric & Gas Insurance Services insurance policies, and those recoveries are credited to ratepayers through the RAC in the period they are recovered. PSE&G filed for recovery of the \$550,000 purchase price of the Property through its RAC 25 filing, covering the period from August 1, 2016 to July 31, 2017, with rates effective November 1, 2018 and recovery over a prospective seven year period. Upon completion of the soil remediation, PSE&G must record a Deed Notice and a Ground Water Classification Exception Area on the Property, indicating areas of residual soil and groundwater contamination, as required by the NJDEP. PSE&G estimates that the cost of placing and maintaining the soil cap, Deed Notice and Ground Water Classification Exception Area is about \$231,000. PSE&G will assume the long-term responsibility to maintain those engineering and institutional controls and will request recovery of those costs through the RAC process.

#### **RATE COUNSEL COMMENTS**

On March 28, 2019, the New Jersey Division of the Rate Counsel ("Rate Counsel") filed comments with the Board indicating that it did not object to the transfer of the Property from NJP to PSE&G. However, Rate Counsel recommended that the accounting for the remediation and non-remediation costs of the Property, including, but not limited to, PSE&G's recovery of costs from insurers and from parties potentially responsible for the contamination, be reviewed in PSE&G's next RAC filing or other appropriate proceeding. Rate Counsel further recommended that the \$559,791.08 price from the sale of the Property be credited to ratepayers through the RAC and, if PSE&G should decide in the future to sell any portion of the property, any gain from such sale above the purchase price be credited to ratepayers through the RAC.

Rate Counsel further reserved all rights to review the Company's accounting for all costs and revenues from the acquisition, ownership, remediation and transfer of the Property in PSE&G's next RAC filing or other appropriate proceeding for prudence, recoverability and allocation. Accordingly, Rate Counsel requested that any Order approving the Property transfer require PSE&G to meet certain conditions, which are incorporated herein.

#### **DISCUSSION AND FINDINGS:**

After careful review and consideration of the petition, exhibits, discovery and comments submitted in this matter, the Board **HEREBY FINDS** that the transfer of Property by NJP to PSE&G 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 the transfer of Property in the amount of \$559,791.08 subject to the following conditions:

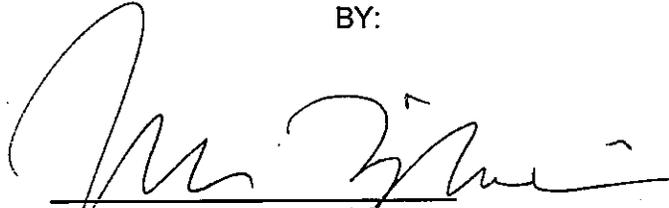
1. PSE&G shall notify the Board and Rate Counsel if it anticipates any material changes in the transfer of the Property.
2. PSE&G shall notify the Board and Rate Counsel when the interim and final RAR reports are completed. PSE&G shall provide copies of the reports to the Board and Rate Counsel.
3. The Board and Rate Counsel retains all rights to review all costs and proceeds related to the purchase, remediation, ownership and transfer of the Property in PSE&G's next RAC filing or another appropriate proceeding.
4. The \$559,791.08 purchase price from the Property transfer be credited to ratepayers through the RAC.
5. If PSE&G should decide in the future to sell any portion of the Property, it will credit any gain from the sale, above the purchase price of \$559,791.08, to ratepayers through the RAC or another appropriate mechanism directed by the Board.
6. Approval of the proposed sale of the Property does not include or imply any position as to the prudence, recoverability or allocation of costs of the remediation work that PSE&G proposes to conduct or the new 69 kV substation that PSE&G proposes to construct on the Property.
7. 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 properties, rates, franchises, service, financing, accounting, capitalization, depreciation, or any other matter affecting the Petitioner.
8. Nothing in this Order shall be construed to affect PSE&G's liability for Natural Resource Damages or other responsibilities or damages arising from its activities at any site or PSE&G's responsibilities or claims in any other matter arising from environmental investigation and remediation of any property it has owned or operated.
9. 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 expenses, of the sale.

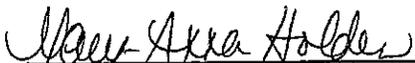
The Company's costs remain subject to an audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

This Order shall be effective on June 7, 2019.

DATED: 5/28/19

BOARD OF PUBLIC UTILITIES  
BY:

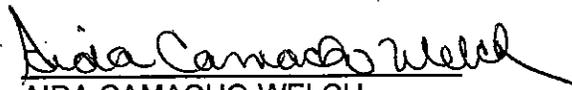
  
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JOSEPH L. FIORDALISO  
PRESIDENT

  
\_\_\_\_\_  
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COMMISSIONER

  
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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 PUBLIC SERVICE ELECTRIC AND GAS COMPANY – NOTICE OF  
INTERCOMPANY TITLE TRANSFER OF MGP PROPERTY BLOCK 1083, LOT 30, 246-250  
PASSAIC ST. PASSAIC, NEW JERSEY**

**DOCKET NO. EM19010033**

**SERVICE LIST**

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