



Agenda Date: 10/28/20
Agenda Item: 2E

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

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)
SERVICE ELECTRIC AND GAS COMPANY FOR)
APPROVAL OF THE SALE OF PERSONAL)
PROPERTY KNOWN AS THE MCDONNELL)
DOUGLAS MD530F HELICOPTER) DOCKET NO. EM20090599

Parties of Record:

Joseph A. Shea, Jr. Esq., Public Service Electric and Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND AND PROCEDURAL HISTORY

On September 18, 2020, pursuant to N.J.A.C. 14:1-5.6, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") seeking approval of the sale of its McDonnell Douglas MD530F helicopter ("Helicopter") and all personal property associated with the Helicopter (collectively, "Property") to Tim L. Harding ("Buyer") for a purchase price of \$1,300,000.

According to the petition, PSE&G originally acquired the Helicopter in 2006 for a purchase price of approximately \$1.4 million. The Company used the Helicopter to conduct aerial inspections and system patrols of the overhead transmission system. However, PSE&G determined that owning and operating the Helicopter was no longer cost-effective and that the Company would instead continue to use contracted helicopter services to fulfill its inspection and related obligations.

On May 13, 2020, PSE&G entered into a brokerage agreement with Asian Sky Group Limited ("Broker") to assist in locating a buyer for the Helicopter. The Broker conducted a multi-channel marketing effort, which ultimately identified the Buyer as a potential purchaser of the Helicopter. On June 16, 2020, the Buyer and PSE&G signed a letter of intent for the sale and purchase of the Helicopter.

PSE&G retained VREF Aircraft Value Reference, Appraisal and Litigation Services (“Appraiser”) to prepare an appraisal of the Helicopter. According to the evaluation report dated July 21, 2020, the Appraiser determined the fair market value of the Helicopter to be \$1,065,000. Additionally, the net book value of the Property on the Company’s books was \$692,228¹ as of August 31, 2020.

Pursuant to N.J.A.C. 14:1-5.6(b), PSE&G advertised the Helicopter for sale in the New Jersey Star Ledger on August 6, 2020 and August 13, 2020. The Company received no bids in response to these advertisements.

On August 28, 2020, PSE&G executed a sale and purchase agreement (“Contract”) with the Buyer to sell the Property for the sum of \$1,300,000. According to PSE&G, there is no relationship between the parties other than transferor/transferee. The Company also stated that the Property is not income-producing and is no longer needed for utility purposes.

Rate Counsel Comments

On October 16, 2020, the New Jersey Division of Rate Counsel (“Rate Counsel”) submitted comments in this matter. Rate Counsel noted that the proposed sale would relieve PSE&G of the carrying costs for the Helicopter of approximately \$1.6 million per year, but that the Company anticipates spending approximately \$250,000 per year on contracted helicopter services. Also, the Company proposed to credit the net proceeds from the sale of the Helicopter to its cash account. Rate Counsel further noted that 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. Additionally, 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.

Therefore, Rate Counsel indicated that it did not object to the sale of the Property. However, Rate Counsel requested that approval of the sale is conditioned on certain provisions, which are incorporated in this Order.

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 sale of the Property by PSE&G to the Buyer will not adversely affect the public interest and will not affect the Company’s ability to render safe, adequate and reliable service. The sale of the Property will reduce the Company’s costs by eliminating the expenses associated with owning and operating the Helicopter. Further, the Board agrees that the purchase price represents the fair market value of the Property, as it exceeds both the net book value and the appraised value.

Accordingly, the Board **HEREBY APPROVES** the Contract for the sale of the Property to the Buyer in the amount of \$1,300,000 with the net proceeds being credited to the cash account of PSE&G.

¹ During this proceeding, the Company noted that the petition inadvertently listed the net book value of the Property as \$667,946.

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 transactions that may come before the Board and shall not be relied on as such.
2. PSE&G shall notify the Board and Rate Counsel if it anticipates any material changes in the sale.
3. The Board and Rate Counsel retain all rights to review all accounting, costs and proceeds related to the acquisition, ownership, maintenance and sale of the Helicopter in PSE&G's next base rate case or another appropriate proceeding.
4. 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.
5. 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 PSE&G.
6. 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.
7. 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 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.

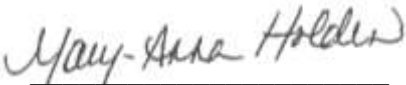
This Order shall be effective on October 30, 2020.

DATED: October 28, 2020

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

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR
APPROVAL OF THE SALE OF PERSONAL PROPERTY KNOWN AS THE MCDONNELL DOUGLAS
MD530F HELICOPTER

DOCKET NO. EM20090599

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