



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

WATER

IN THE MATTER OF THE PETITION OF NEW	)	ORDER ADOPTING
JERSEY-AMERICAN WATER COMPANY, INC. FOR	)	STIPULATION OF SETTLEMENT
APPROVAL TO SELL REAL PROPERTY LOCATED AT	)	
1025 LAUREL OAK ROAD IN THE TOWNSHIP OF	)	
VOORHEES, COUNTY OF CAMDEN	)	DOCKET NO. WM19070825

**Parties of Record:**

**Christine Soares, Esq.**, on behalf of New Jersey-American Water Company, Inc.  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

**BY THE BOARD:**

On July 16, 2019, New Jersey-American Water Company, Inc. ("NJAWC" or "Petitioner" or "Company"), a public utility of the State of New Jersey, subject to the jurisdiction of the New Jersey Board of Public Utilities ("Board"), filed a petition pursuant to N.J.S.A. 48:3-7 and N.J.A.C. 14:1-5-6, seeking approval to sell certain property owned by the Company.

On August 27, 2019, the Company filed an Amended Petition requesting a waiver of the advertising requirements pursuant to N.J.A.C. 14:1-5-6(i).

NJAWC provides water service to approximately 631,000 general-metered water customers and approximately 41,000 sewer customers located in portions of Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union, and Warren counties.

By this Order, the Board considers the Stipulation of Settlement ("Stipulation") executed by the Petitioner, the New Jersey Division of Rate Counsel ("Rate Counsel"), and Board Staff (collectively, "Parties"), agreeing to the proposed sale. The Parties also agreed to recommend that the Board waive the advertising requirements associated with the proposed sale pursuant to N.J.A.C. 14:1-5-6(i).

**DESCRIPTION AND HISTORY OF THE PROPERTY**

The property being sold is known and designated as 1025 Laurel Oak Road, Lot 28 in Block 161 in the Township of Voorhees, Camden County, New Jersey ("Township"). The Company seeks

approval to sell one parcel of land, totaling approximately 10 acres ("Land"), and an approximately 73,868 square foot office building ("Building"), located in the Township.

NJAWC acquired the Property on April 1, 2010 for \$9,090,000. Since that time, the Company made \$4,530,687.20 in investments to the Property and made \$657,294.00 in retirements. The plant costs for the Property are \$12,963,393.20. The Voorhees Property is currently zoned as O3 – Office District. Since 2010, NJAWC has used the Property as its corporate headquarters.

NJAW leased portions of the Building to two affiliated companies, American Water Works Company, Inc. ("AWK") and American Water Works Service Company, Inc. ("AWWSC"). The leases for both entities expired on December 31, 2018. Before the expiration of the leases, AWK and AWWSC announced plans to vacate the Building to relocate to AWK's new corporate headquarters at One Water Street, Camden, New Jersey ("One Water Street").

The tax-assessed value of the Property by the Township of Voorhees as of April 2019 is \$6,500,000, representing \$2,400,000 (36.92%) for the Land and \$4,100,000 (63.08%) for the Building.

The Property is not income producing. It is encumbered by the lien of New Jersey-American Water's mortgage indenture ("Indenture"), which is generally applicable to all real property of New Jersey-American Water Company.

### **THE WATERSHED PROPERTY REVIEW BOARD**

The Watershed Property Review Board ("WPRB") consists of the President of the Board, the Commissioner of the New Jersey Department of Environmental Protection ("NJDEP"), and the Commissioner of the New Jersey Department of Community Affairs.

NJAWC submitted a request to the WPRB for a determination that the Property is not subject to the WPRB's jurisdiction. On August 21, 2018, the WPRB determined that it did not have jurisdiction over the Voorhees Property and the Company did not need to obtain an exemption from the WPRB before selling the Property (See Verified Petition Exhibit F).

### **THE STIPULATION<sup>1</sup>**

The Parties exchanged discovery and engaged in settlement negotiations. As a result of these discussions and discovery, the Parties reached a settlement on all issues and subsequently executed the Stipulation. Among other things, the Stipulation agrees:

1. NJAW acquired the Property on April 1, 2010 for \$9,090,000.
2. Since that time, the Company has made \$4,530,767 in investments to the Property and made \$657,294 in retirements. The plant costs for the Property are \$12,963,393.
3. The tax assessed value of the Property by the Township of Voorhees as of April 2019 is \$6,500,000 representing \$2,400,000 for the land and \$4,100,000 for the building.

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<sup>1</sup>Although described in this Order at some length, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

4. The Property is not income producing and is encumbered by the lien on NJAW's mortgage indenture, which is generally applicable to all real property of NJAW.
5. The Company has used the Property as its corporate headquarters since 2010.
6. NJAW leased portions of the Building to two affiliated companies, AWK and AWWSC. The leases for both entities expired on December 31, 2018. Before the expiration of the leases, AWK and AWWSC announced plans to vacate the Building to relocate to AWK's new corporate headquarters at One Water Street. In the fourth quarter of 2018, both AWK and AWWSC vacated the Building and relocated to One Water Street.
7. Because a majority of the Building would be vacant, NJAW determined that, provided it could find an appropriate buyer, the interests of NJAW's customers, the Voorhees community, and the Company were best served by pursuing a possible sale of the Property and relocating to One Water Street.
8. In September 2017, the Company commissioned CBRE to appraise the Property (the "Appraisal"). CBRE issued an appraisal of the Property on September 7, 2017 which established that the highest and best use of the Property is as an office building. The Appraisal determined that the market value of the Property is \$3,700,000 (See Verified Petition Exhibit C).
9. On October 30, 2017, NJAW's Board of Directors passed Resolutions authorizing the sale of the Property. In an effort to obtain the highest price for the Property, the Company sought offers for the Property through the marketing efforts of CBRE (See Verified Petition Exhibit D).
10. On September 14, 2017 and September 27, 2017, the Company advertised the Property for sale in the Courier Post. The bid due date was October 17, 2017 and the bid opening date was October 18, 2017.
11. As a result of the marketing efforts of CBRE and the public bid process, the Company received four offers for the Property ranging from \$4,000,000 to \$7,000,000.
12. The first offer for \$6,000,000 was made before the public bid process, and the bidder did not submit a formal bid in response to the Company's public request for offers.
13. The second offer for \$7,000,000 resulted in an executed Contract for Sale, but the buyer cancelled the Contract of Sale before the end of the due diligence period.
14. The third offer for \$6,000,000 did not result in a final contract and thus, the sale was never effectuated.
15. The fourth offer for \$4,000,000 was submitted by Strategic Funding Alternatives, LLC ("Strategic Funding"), which transaction is the subject of the Amended Petition and Stipulation.
16. The Company accepted Strategic Funding's ("Buyer") offer because it provided the best overall value based on price and affirmative acceptance of the Company's contract terms.

17. On June 17, 2019, the Company entered into a Contract of Sale with Strategic Funding for the sale of the Property. The Contract provides for a purchase price of \$4,000,000. Strategic Funding paid a cash deposit of \$100,000, which is being held in escrow pending the closing by Strategic Funding's title company, Land Services USA, Inc. The Contract provides for a 60-day Evaluation Period for Strategic Funding to conduct a due diligence evaluation of the Property.
18. The Property is not subject to the jurisdiction of the WPRB.
19. The sale meets the criteria set forth in *In re Erie-Lackawanna Ry. Co.*, 75 P.U.R. 3d 246 (N.J.B.P.U. 1968).
20. On or about November 5, 2019, the Building was broken into overnight and the offenders damaged the building and the facilities contained, therein, including but not limited to the Building's Heating, Ventilation and Cooling ("HVAC") system. The Company promptly reported the incident to its insurance carrier and the Buyer. Pursuant to Section 13(a) of the Contract, the transaction "shall proceed as scheduled ... without any adjustment to the Purchase Price" if the damage to the Building is less than 33 1/3% of the purchase price, or approximately \$1.33 million. If the damage to the Building is equal to or exceeds 33 1/3% of the purchase price, the Buyer has the option to terminate the Contract.
21. As of the effective date of this Stipulation, the Company has no reason to believe that the damage to the Building will equal or exceed \$1.33 million.
22. The Contract contains other contingencies, fully described and defined in paragraph 5 of the Contract, which must be satisfied for closing of the transaction to occur. With the exception of a release of the indenture from New Jersey-American Water's Indenture Trustee, which will take place at closing, and the Board's approval of the Contract, all contingencies under the Contract have been satisfied.

### **DISCUSSIONS AND FINDINGS**

The Board is required to review the proposed sale of the property at issue here under N.J.S.A. 48:3-7 and N.J.A.C. 14:1-5.6. N.J.S.A. 48:3-7(a) provides in pertinent part:

[N]o public utility shall, without the approval of the board, sell, lease, mortgage, or otherwise dispose of or encumber its property, franchises, privileges, or rights, or any part thereof; or merge or consolidate its property, franchises, privileges, or rights, or any part thereof, with that of any other public utility.

Pursuant to N.J.A.C. 14:1-5.6(b), the Company is required to advertise the property for bid. In reviewing the sale of utility property under the authority given to it by N.J.S.A. 48:3-7(a), the Board must ensure that the sale meets the criteria set forth in *In re Erie-Lackawanna Ry. Co.*, 75 P.U.R. 3d 246 (N.J.B.P.U. 1968). Specifically, the Board must consider three factors of Erie-Lackawanna, specifically:

- a. The property must be no longer used or useful, presently or prospectively, for utility purposes.

- b. The sale and conveyance of the property under the terms proposed will not adversely affect the ability of the utility to render safe, adequate and proper service.
- c. The proposed sale price is the best price obtainable and represents fair market value for the property.

See Erie-Lackawanna, *supra*, 75 P.U.R. 3d at 247; In re Atl. City Elec. Co., 2013 Super. Unpub. LEXIS 1775, \*30-31 (App. Div. 2013) ("Atlantic City Electric"). See also In re W. Jersey & Seashore R.R. Co., 46 N.J. Super. 543, 548-49 (App. Div.), *certif. denied*, 25 N.J. 491 (1957) ("West Jersey") property). The Appellate Division in Atlantic City Electric, *supra*, reversed the Board's approval of the sale of the property because the Board had failed to address the merits of the sale under the Erie-Lackawanna doctrine. 2013 N.J. Super. Unpub. LEXIS 1775, at \*38. However, citing Erie-Lackawanna and West Jersey, the court in Atlantic City Electric recognized that when a utility is disposing of property and multiple offers have been made, the Board's determination of which offer is the best price obtainable requires more than a comparison of the offers; rather, the Board must consider risk factors of the offers with an eye towards which truly in the best price. 2013 N.J. Super. Unpub. LEXIS 1775, at \*34-35.

On August 27, 2019 the Company filed an Amended Petition requesting a waiver of the public advertising requirements, pursuant to N.J.A.C. 14:1-5.6(i), based on the following reasons:

- 1) The waiver will not adversely affect the public interest as the Company has obtained a willing buyer through CBRE and the purchase price for the transaction exceeds the Property's appraised value;
- 2) The Company has vacated the Building and the Property is no longer used or useful for utility purposes; there is no prospective use of the Property for utility purposes and the sale will not affect the ability of the Company to render safe, adequate and proper service;
- 3) There is no other prospective purchaser;
- 4) The sale price exceeds the fair market value of the Voorhees Property based on an appraisal, which represents the current value of the Property given that market conditions have not significantly changed;
- 5) There is no relationship between the parties other than that of transferor and transferee; and
- 6) The advertising and bidding would be detrimental to the transaction with Strategic Funding as it would significantly delay the closing and, based on the prior bids and the failure of those bids to move past the due diligence phase, would not result in a higher sales price.

The Company and the Division of Rate Counsel agree that Petitioner has met the requirements under the Eric-Lackawanna test. Thus, the Board must determine whether Strategic Funding's is the best price obtainable and represents fair market value for the property.

The Board has reviewed the record and **HEREBY FINDS** that under the Erie-Lackawanna test, the Agreement is the best price obtainable and represents the fair market value of the Voorhees Property. The Board **FURTHER FINDS** that:

1. NJAWC moved its headquarters from the Voorhees Property to Camden, New Jersey as of June 14, 2019; thus, the Voorhees Property is no longer used or useful for utility purposes.
2. The actual sale price of the Voorhees Property is \$4,000,000. The appraisal report submitted by Petitioner valued the property at \$3,700,000.
3. NJAWC advertised the proposed sale of the Voorhees Property in the Courier Post on September 14, 2017 and September 22, 2017.
4. NJAWC engaged an experienced real estate broker to market the Voorhees Property in an effort to obtain the highest sale price for the Voorhees Property, while recognizing the environmental and local community sensitivity associated with the Voorhees Property and made the consideration of the highest obtainable price and a balancing of the contract issues presented by each prospective offer.
5. NJAWC received four offers for the Voorhees Property by the October 18, 2017 deadline.
6. One offer resulted in an executed Contract for Sale, but the buyer cancelled the Contract of Sale before the end of the due diligence period.
7. Strategic Funding submitted an offer for \$4,000,000 which was accepted by the Company and which transaction is the subject of the Amended Petition and Stipulation.
8. NJAWC accepted Strategic Funding's offer because it provided the best overall value based on price and affirmative acceptance of the Company's contract terms. The consideration to be received by NJAWC represents the fair market value of the Voorhees Property. One basis for this conclusion is the Appraisal determination that the market value of the Property is \$3,700,000. Thus, the purchase price exceeds the Property's market value.
9. The sale of the Voorhees Property will not compromise the ability of NJAWC to render safe, adequate and proper service to its customers.
10. The Voorhees Property is not now nor has it in the past been used for the protection of a public water supply.
11. NJAWC submitted a request to the Watershed Property Review Board ("WPRB") for a determination that the Voorhees Property is not subject to the WPRB's jurisdiction. On August 21, 2018, the WPRB determined that it did not have jurisdiction over the Voorhees Property and the Company did not need to obtain an exemption from the WPRB before selling the Property (Exhibit F).

Based on the foregoing, and considering the factors associated with Strategic Funding's proposed plan to use the Voorhees Property as office space, the Board, having reviewed the entire record, **HEREBY FINDS** that:

- 1) The sale will not adversely affect the public interest, and the subject property is no longer used or useful for utility purposes.

- 2) The sale and conveyance of the Voorhees property under the terms proposed will not adversely affect the ability of the utility to render safe, adequate and proper service.
- 3) The actual sale price of \$4,000,000 satisfies the Erie-Lackawanna test because the proposed price is the best price obtainable and represents fair market value for the property.

The Board **HEREBY FINDS** that there will be no immediate rate impact as a result of the transaction of the sale of the Voorhees Property.

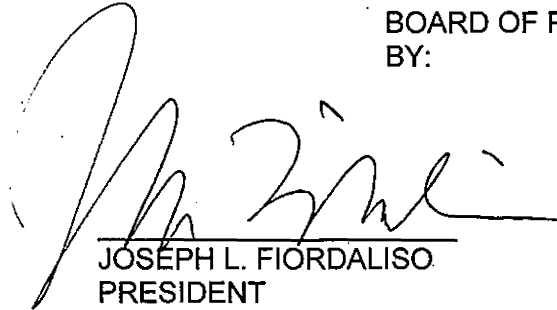
The Board **HEREBY APPROVES** the sale and conveyance of the Voorhees Property and Property interests as more fully described in the Petition. The Board **HEREBY APPROVES** the Company's request for a waiver of the public advertising requirements. The Board **HEREBY APPROVES** the Company's proposed journal entries. Having considered the Petition, the Board **HEREBY ACCEPTS** the Stipulation attached hereto, including all attachments and schedules, as its own, incorporating by reference the terms and conditions of the Stipulation, as if they were fully set forth at length herein, subject to the following:

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. This Order shall not affect or in any way limit the exercise of the authority of the Board, or of the State, in any future petition, or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or in any matters affecting the Company.
3. 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 Petitioner.
4. Within thirty (30) days of the date of the closing of this transaction, the Petitioner shall file with the Board proof of the closing, net transaction costs, and the final journal entries along with a detailed calculation, including selling expenses, of the sale.

The Order shall be effective on December 6, 2019.


DATED: 12/6/19

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 NEW JERSEY-AMERICAN WATER COMPANY,  
INC. FOR APPROVAL TO SELL REAL PROPERTY LOCATED AT 1025 LAUREL OAK  
ROAD IN THE TOWNSHIP OF VOORHEES, COUNTY OF CAMDEN  
DOCKET NO. WM19070825**

**SERVICE LIST**

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Division of Law  
Public Utilities Section  
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NEW JERSEY  
AMERICAN WATER

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P 856.955.4879

November 22, 2019

**Via Email and Regular Mail**

Aida Camacho-Welch  
Secretary of the Board  
Board of Public Utilities  
44 South Clinton Ave., 9<sup>th</sup> Fl.  
P.O. Box 350  
Trenton, NJ 08625-0350

**Re: In the Matter of the Petition of New Jersey-American Water Company, Inc.  
for Approval to Sell Real Property Located at 1025 Laurel Oak Road in the  
Township of Voorhees, County of Camden  
BPU Docket No. WM19070825**

Dear Secretary Camacho-Welch:

Enclosed herewith for the Board of Public Utilities' consideration is a fully-executed stipulation of settlement entered into by and between New Jersey American Water Company, Inc., the Division of Law on behalf of Board Staff, and the New Jersey Division of Rate Counsel in the above-captioned matter.

Please do not hesitate to contact me should you have any questions.

Respectfully submitted,

Christine Soares  
Director, Corporate Counsel

CS:dlc

c: Service list (via email, w/enc.)

**In the Matter of the Petition of New Jersey-American Water Company for  
Approval to Sell Real Property Located at  
1025 Laurel Oak Road in the Township of Voorhees, County of Camden**

**BPU Docket No. WM19070825**

Mike Kammer, Director  
Division of Water and Wastewater  
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Donna Carney  
New Jersey American Water  
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Farmingdale, NJ 07727

**BEFORE THE  
STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

IN THE MATTER OF THE PETITION OF : BPU Docket No. WM19070825  
NEW JERSEY-AMERICAN WATER :  
COMPANY, INC. FOR APPROVAL TO : STIPULATION OF SETTLEMENT  
SELL REAL PROPERTY LOCATED AT :  
1025 LAUREL OAK ROAD IN THE :  
TOWNSHIP OF VOORHEES, COUNTY OF :  
CAMDEN :

**APPEARANCES:**

Christine Soares, Esq., on behalf of New Jersey-American Water Company, Inc.,  
Petitioner;

Peter Youchak, Deputy Attorney General, on behalf of the Staff of the Board of Public  
Utilities (Gurbir S. Grewal, Attorney General of New Jersey); and

Debra F. Robinson, Esq., Deputy Rate Counsel, on behalf of the Division of the Rate  
Counsel.

**TO THE HONORABLE BOARD OF PUBLIC UTILITIES:**

This Stipulation is made as of November \_\_, 2019 by and among New Jersey-American  
Water Company, Inc. (“New Jersey-American Water” or “Company”), the Staff of the New  
Jersey Board of Public Utilities (“BPU”) and the New Jersey Division of Rate Counsel (“Rate  
Counsel”) (collectively, the “Signatory Parties”).

**BACKGROUND**

On July 16, 2019, New Jersey-American Water, a public utility of the State of New Jersey,  
filed a petition with the Board of Public Utilities (“Board”) pursuant to *N.J.S.A.* § 48:3-7 and  
*N.J.A.C.* § 14:1-5.6, for approval to sell real property consisting of one parcel of land, totaling  
approximately 10 acres (the “Land”), and an approximately 73,868 square foot office building (the  
“Building”), known on the Tax Map of the Township of Voorhees, County of Camden, as Lot 28

in Block 161 (the "Property"). On August 27, 2019, the Company filed an amended petition ("Amended Petition") seeking a waiver of the Board's public advertisement requirement under *N.J.A.C. 14:1-5.6(i)*.

New Jersey-American Water has received and responded to all discovery requests that have been propounded in this proceeding. The Signatory Parties engaged in settlement discussions in this matter. As a result of these discussions, the Signatory Parties **AGREE AND STIPULATE AS FOLLOWS:**

#### **THE PROPERTY**

1. New Jersey-American Water is a regulated public utility corporation, engaged in the production, treatment and distribution of water and collection of sewage within its defined service territory within the State of New Jersey. Said service territory includes portions of the following counties: Atlantic, Bergen, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Union and Warren.

2. New Jersey-American Water serves approximately 631,000 general-metered water customers and approximately 41,000 sewer customers.

3. New Jersey-American Water acquired the Property on April 1, 2010 for \$9,090,000.

4. Since that time, New Jersey-American Water made \$4,530,687.20 in investments to the Property and made \$657,294.00 in retirements. The plant costs for the Property are \$12,963,393.20.

5. The tax-assessed value of the Property by the Township of Voorhees as of April 2019 is \$6,500,000 representing \$2,400,000 (36.92%) for the Land and \$4,100,000 (63.08%) for the Building.

6. The Property is not income producing. It is encumbered by the lien of New Jersey-American Water's mortgage indenture (the "Indenture"), which is generally applicable to all real property of New Jersey-American Water.

7. Since 2010, New Jersey-American Water has used the Property as its corporate headquarters.

8. New Jersey-American Water leased approximately 65% of the Building to two affiliate companies, American Water Works Company, Inc. ("AWK") and American Water Works Service Company, Inc. ("AWWSC"). Those leases were due to and did expire on December 31, 2018. Before the expiration of the leases, AWK and AWWSC announced plans to vacate the Property to relocate to AWK's new corporate headquarters at 1 Water Street, Camden, New Jersey ("One Water Street").

9. Because a majority of the Building would be vacant, New Jersey-American Water evaluated the best course of action, including whether to find new tenants or sell the Property. New Jersey-American Water determined that, provided it could find an appropriate buyer, the interests of its customers, the Voorhees community, and the Company were best served by pursuing a possible sale of the Property and relocating to One Water Street.

10. In the fourth quarter of 2018, AWK and AWWSC vacated the Property to relocate to One Water Street.

## THE BID PROCESS AND TRANSACTION

11. In September 2017, New Jersey-American Water commissioned CBRE to appraise the Property (the "Appraisal"). CBRE issued an appraisal of the Property on September 7, 2017 (the "Appraisal"), attached without the Addenda as Exhibit C to the Amended Petition, which establishes that the highest and best use of the Property is as an office building.

12. The Appraisal determined that the market value of the Property is \$3,700,000.

13. On October 30, 2017, New Jersey-American Water's Board of Directors passed Resolutions authorizing the sale of the Property, a certified copy of which was attached to the Amended Petition.

14. In an effort to obtain the highest price for the Property, New Jersey-American Water sought offers for the Property through the marketing efforts of CBRE.

15. On September 14, 2017 and September 22, 2017, New Jersey-American Water advertised the Property for sale in the Courier Post. The bid due date was October 17, 2017 and the bid opening date was October 18, 2017.

16. As a result of the marketing efforts of CBRE and the public bid process, the Company received four offers for the Property ranging from \$4,000,000 to \$7,000,000.

17. The first offer for \$6,000,000 was made before the public bid process, and the bidder did not submit a formal bid in response to the Company's public request for offers.

18. The second offer for \$7,000,000 resulted in an executed Contract of Sale, but the buyer cancelled the Contract of Sale before the end of the due diligence period.

19. The third offer for \$6,000,000 did not result in a final contract and thus, the sale was never effectuated.

20. The fourth offer for \$4,000,000 was submitted by Strategic Funding Alternatives, LLC (“Strategic Funding”), which transaction (the “Transaction”) is the subject of the Amended Petition and Stipulation.

#### The Contract

21. New Jersey-American Water accepted Strategic Funding’s offer because it provided the best overall value based on price and affirmative acceptance of New Jersey-American Water’s contract terms.

22. On June 17, 2019, New Jersey-American entered into a Contract of Sale with Strategic Funding for the sale of the Property (the “Contract”). A copy of the signed Contract was attached to the Amended Petition.

23. The Contract provides for a purchase price of \$4,000,000.

24. Under the Contract, Strategic Funding paid a cash deposit of \$100,000, which is being held in escrow pending the closing by Strategic Funding’s title company, Land Services USA, Inc.

25. The Contract provides for a 60-day Evaluation Period for Strategic Funding to conduct a due diligence evaluation of the Property.

26. Further, the Contract contains other contingencies, fully described and defined in paragraph 5 of the Contract, which must be satisfied for closing of the transaction to occur.

27. With the exception of a release of the Indenture from New Jersey-American Water’s Indenture Trustee, which will take place at closing, and the Board’s approval of the Contract, all contingencies under the Contract have been satisfied.

28. New Jersey-American Water submitted a request to the Watershed Property Review Board (“WPRB”) for a determination that the Property is not subject the WPRB’s



jurisdiction. On August 21, 2018, the WPRB determined that it did not have jurisdiction over the Property and that New Jersey-American Water did not need to obtain an exemption from WPRB before selling the Property.

29. The Parties agree that the sale meets that criteria set forth in *In re Erie-Lackawanna Ry. Co.*, 75 P.U.R. 3d 246 (N.J. BPU 1968).

30. The Property is no longer used or useful for utility purposes as the Company moved its headquarters to One Water Street as of June 2019.

31. The sale and conveyance of the Property under the Contract will not adversely affect the ability of New Jersey-American Water to render safe, adequate and proper service.

32. The sale is the best price obtainable and represents the fair market value of the Property.

33. The sale price is \$4,000,000 while the appraisal valued the Property at \$3,700,000.

34. New Jersey-American Water has met the requirements of *N.J.A.C. 14:1-5.6(i)* for a waiver of the Board's public advertisement requirement, *see N.J.A.C. 14:1-5.6*.

35. The waiver will not adversely affect the public interest, as New Jersey-American Water has obtained a willing buyer through CBRE and the purchase price for the transaction exceeds the Property's appraised value.

36. There is no other prospective purchaser.

37. The sale price exceeds the fair market value of the Property based on the appraisal, which represents the current value of the Property given that market conditions have not significantly changed. The Parties agree that the Company is not required to obtain an updated appraisal of the Property in connection with the Contract.

38. The transaction between New Jersey-American Water and Strategic Funding is arms-length and there is no relationship between New Jersey-American Water and Strategic Funding, other than that of transferor and transferee in this transaction.

39. The advertising and bidding would be detrimental to the transaction with Strategic Funding as it would significantly delay the closing and, based on the prior bids and the failure of those bids to move past the due diligence phase, would not result in a higher sales price.

#### The Journal Entries

40. On June 14, 2019, New Jersey-American Water relocated from the Building to One Water Street. As of June 2019, New Jersey-American Water transferred the Land to account 121 – Nonutility Property and retired the Building, as the Property is no longer used and useful in providing utility service.

41. The net book value of the Property as of June 2019 (the date that the Land was transferred to account 121 – Nonutility Property and the Building was retired) is \$10,150,848.

42. The Parties agree that the transaction will be recorded on the Company's books consistent with the journal entries provided in Exhibit A.

43. The Company will record a net gain on its books as a result of the sale of the Land; no gain or loss will be recorded on New Jersey-American Water's books as a result of the sale of the Building.

44. The Company agrees to record 50% of the net proceeds from the sale of the Land below the line and the remaining 50% of the net proceeds to a liability to be returned to customers in the next base rate case over a yet to be agreed upon period of time, subject to the approval of the Board.

45. The parties agree that the net proceeds from the sale of the Land is defined as the gross proceeds from the sale of the Property less the following adjustment: a) all reasonable, prudent, actual costs, expenses and fees incurred by the Company in connection with the sale of the Property, including without limitation, advertising expenses, brokerage commissions, professional fees, appropriate title costs, settlement expenses, appraisers' fees and transfer taxes ("Selling Costs"); b) the sum of all state, Federal and local taxes, at the highest marginal applicable rates in effect at the time of the closing without further adjustment, on the net gain attributable to the sale of the Property ("Taxes"); (c) 63.08% of the gross proceeds, less the Selling Costs and Taxes, allocated to the Building based on the tax assessed value of the Property as of April 2019; and (d) the original cost of the Land. The following is the estimated calculation, which will be updated at closing to reflect actuals:

	<u>Amount</u>
Gross Proceeds from Sale	\$4,000,000
Less:	
Estimated Selling Cost	(290,000)
Federal Tax at 21%	<u>(779,100)</u>
Net Proceeds before Building	\$2,930,900
Less:	
Building % based on Tax Assessment	<u>(1,848,722)</u>
Net Proceeds before Land	\$1,082,178
Less:	
Original Cost of Land	<u>(675,528)</u>
Net Proceeds - Gain 50/50 split	<u>\$406,650</u>
Tax Assessment Allocation Rate	
Land	36.92%    \$2,400,000
Building	<u>63.08%    4,100,000</u>
Total Assessed Value	100.00%    \$6,500,000

46. There will be no immediate rate impact as a result of the transaction.

Post-Retirement Building Condition

47. On or about November 5, 2019, the Building was broken into overnight and the offenders damaged the Building and the facilities contained therein, including but not limited to

the Building's HVAC system. The Company promptly reported the incident to its insurance carrier.

48. The Buyer has also been informed of the incident at the Building.

49. Pursuant to Section 13(a) of the Contract, the Transaction "shall proceed as scheduled . . . without any adjustment to the Purchase Price" if the damage to the Property is less than 33 1/3 % of the purchase price, or approximately \$1.33 million. If the damage to the Property is equal to or exceeds 33 1/3% of the purchase price, the Buyer has the option to terminate the Contract.

50. As of the effective date of this Stipulation, the Company has no reason to believe that the damage to the Property will equal or exceed \$1.33 million.

51. In the event the purchase price or the journal entries contemplated in this Stipulation change between the date on which the last Signatory Party signs the Stipulation and the closing of the Transaction, the Company will provide the Signatory Parties hereto prompt notice thereof.

52. After the notice contemplated in paragraph 51 above, the Signatory Parties will have five (5) business days to notify the Company that the Stipulation shall be considered null and void at which time the Company will prepare and file with approval of the Signatory Parties, which will not unreasonably be withheld, a joint petition to reopen the proceeding to provide an opportunity for additional discovery, possible settlement discussions, and an updated Board Order.

53. Alternatively, within five (5) business days of the notice contemplated in paragraph 51 above, the Signatory Parties may stipulate to the modified purchase price as reasonable and stipulate to revised journal entries, which entries will be filed with the BPU within 30 days of the closing.

### General Terms

54. This Stipulation shall be binding on the Signatory Parties to this proceeding upon approval hereof by the Board. This Stipulation shall bind the Signatory Parties in this matter only and shall not be considered precedential in any other proceeding involving the Signatory Parties hereto.

55. This Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the Signatory Parties individually and jointly state that they would not have signed the Stipulation had any term been modified in any way. In the event that any modifications whatsoever are made to this Stipulation, each of the Signatory Parties hereto is entitled to certain procedures in the event of such occurrence.

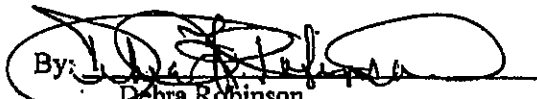
56. If any modification is made to the terms of this Stipulation, the Signatory Parties must be given the right to be placed in the position in which each Signatory Party was before this Stipulation was executed. It is essential that each Signatory Party be given the option to modify its own position, to accept the proposed change(s), or to resume the proceeding as if no agreement had been reached.

57. The Signatory Parties believe that these procedures are fair to all concerned and, therefore, they are made an integral and essential element of this Stipulation.

58. This Stipulation may be executed in as many counterparts as there are signatories to this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.

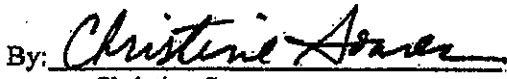
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STEFANIE A. BRAND, DIRECTOR  
DIVISION OF RATE COUNSEL

By:   
Debra Robinson  
Deputy Rate Counsel

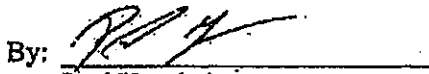
Dated: 11-22-2019

NEW JERSEY-AMERICAN WATER  
COMPANY, INC.

By:   
Christine Soares  
Director, Corporate Counsel

Dated: 11/22/19

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the Board of Public Utilities

By:   
Paul Youchak  
Deputy Attorney General

Dated: Nov. 21, 2019

STEFANIE A. BRAND, DIRECTOR  
DIVISION OF RATE COUNSEL

By: \_\_\_\_\_  
Debra Robinson  
Deputy Rate Counsel

Dated:

NEW JERSEY-AMERICAN WATER  
COMPANY, INC.

By: Christine Soares  
Christine Soares  
Director, Corporate Counsel

Dated: 11/22/19

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the Board of Public Utilities

By: Paul Youchak  
Paul Youchak  
Deputy Attorney General

Dated: Nov. 21, 2019