



Agenda Date: 08/24/16  
Agenda Item: 2G

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**44 South Clinton Avenue, 3rd 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 RATE SCHEDULE CSG	)	<b>DECISION AND ORDER</b>
TRANSPORTATION SERVICE AGREEMENT	)	<b>APPROVING GAS SERVICE</b>
BETWEEN PUBLIC SERVICE ELECTRIC AND GAS	)	<b>AGREEMENT</b>
COMPANY AND NORTH JERSEY ENERGY	)	
ASSOCIATES (“NJEA”)	)	
	)	
	)	<b>DOCKET NO. GR16050403</b>

**Parties of Record:**

**Martin C. Rothfelder, Esq.**, on behalf of Public Service Electric and Gas Company  
**Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel  
**Steven Gabel**, Gabel Associates, Inc., on behalf of North Jersey Energy Associates, L.P.

BY THE BOARD:

**BACKGROUND AND PROCEDURAL HISTORY**

By petition dated May 3, 2016, Public Service Electric and Gas Company (“PSE&G” or “Company”), filed a letter with the New Jersey Board of Public Utilities (“Board”) for approval of the Rate Schedule Contract Service Gas (“CSG”) Transportation Service Agreement dated April 28, 2016 (“Service Agreement”) between PSE&G and North Jersey Energy Associates, L.P. (“NJEA”). The filing was submitted pursuant to PSE&G’s Rate Schedule CSG-Contract Service as set forth in its Tariff for Gas Service on file with and approved by the Board.<sup>1</sup> The Service Agreement sets forth the rates, terms and conditions under which PSE&G shall provide natural gas distribution services to NJEA’s electric generator (“Facility”) in Sayreville, New Jersey. PSE&G further requested expedited treatment of the filing.

According to the filing, PSE&G presently provides natural gas transportation services to the Facility. NJEA owns the 300 megawatt facility that operates in the PJM Interconnection, L.L.C.<sup>2</sup> (“PJM”) wholesale energy market.

<sup>1</sup> B.P.U. N.J. No. 15 GAS, [https://www.pseg.com/family/pseandg/tariffs/gas/pdf/gas\\_tariff.pdf](https://www.pseg.com/family/pseandg/tariffs/gas/pdf/gas_tariff.pdf)

<sup>2</sup> PJM is the privately-held, limited liability corporation approved by the Federal Energy Regulation Commission as a Regional Transmission Organization that manages the regional, high-voltage electricity grid serving all or parts of thirteen (13) states, including New Jersey. PJM also operates the regional competitive wholesale electric market and manages the regional transmission planning process. N.J.S.A. 48:3-51.

Historically, NJEA paid a negotiated rate for gas delivery service from PSE&G under a gas service agreement. Upon expiration of its gas service agreement in November 2015, NJEA began paying the then applicable PSE&G Rate Schedule Non-Firm Transportation Gas Service ("TSG-NF") rates for gas delivery service.

Transcontinental Gas Pipeline Corporation ("Transco") owns and operates an interstate natural gas transmission system less than one mile from the Facility. In lieu of bypassing the PSE&G system and contracting directly with Transco, NJEA submitted an application with PSE&G seeking discounted gas service rates on the basis of an economically viable bypass alternative supported by NJEA's ability to bypass PSE&G by contracting directly with Transco. PSE&G represents that it evaluated NJEA's application and determined that it was consistent with the terms of its tariff and agreed to provide firm transportation service to NJEA pursuant to the Service Agreement upon Board approval.

### **2010 Discount Contract Proceeding**

In 2010, the Board conducted and completed a proceeding in which it examined the standards applicable to gas distribution discounts and associated terms and conditions.<sup>3</sup> Subsequently, the Board approved modifications to PSE&G's tariff, including the establishment of Rate Schedule CSG, to enable PSE&G to provide discount gas service rates to counter "Economically Viable Bypass" threats or "Other Considerations."<sup>4</sup> The CSG tariff, at sheet 112, paragraph two (2), requires Board review and approval of agreements that PSE&G enters into under that tariff.<sup>5</sup>

### **Key Terms of the Contract**

The Service Agreement provides for a ten (10) year term, subject to early termination as provided in the Service Agreement, effective on the first day of the month following the effective date of Board approval of the agreement. The rate to be charged is based on the contract monthly terms using the methodology applicable to Rate Schedule CSG, which includes a service charge, as well as distribution and maintenance charges.

Board Staff and the New Jersey Division of Rate Counsel ("Rate Counsel"), propounded discovery upon PSE&G and NJEA, and all such discovery has been answered. Rate Counsel submitted a lettering indicating that it did not object to the Board's approval of the proposed Service Agreement.

### **DISCUSSION AND FINDINGS**

After reviewing the filing and Service Agreement, the Board is satisfied that the Service Agreement will have a financial impact that is beneficial to the Company's ratepayers by

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<sup>3</sup> In re a Generic Proceeding to Consider Prospective Standards For Gas Distribution Utility Rate Discounts And Associated Contract Terms and Conditions, Docket Nos. GR10100761 and ER10100762 (August 18, 2011).

<sup>4</sup> In re the Generic Proceeding to Consider Prospective Standards for Gas Distribution Utility Rate Discounts and Associated Contract Terms and Conditions; Public Service Electric and Gas Company's Compliance Filing to Implement the Tariff Changes, Docket No. GT11090616 (May 23, 2012).

<sup>5</sup> B.P.U. N.J. No. 15 GAS, Sheet No. 112,

[https://www.pseg.com/family/pseandg/tariffs/gas/pdf/gas\\_tariff.pdf](https://www.pseg.com/family/pseandg/tariffs/gas/pdf/gas_tariff.pdf)

avoiding the loss of load that would otherwise result from the bypass of the distribution system. The loss of load would result in reduced revenue that would otherwise benefit ratepayers. The Board is also satisfied that the Service Agreement meets the requirements of PSE&G's previously approved tariff for CSG service.

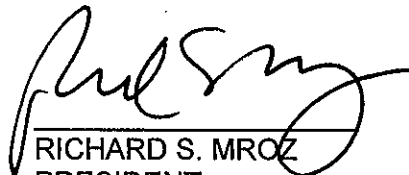
Therefore, the Board **HEREBY FINDS** that NJEA qualifies for a discounted gas service rate on the basis of an economically viable bypass alternative, and the rate to be charged satisfies the requirements of the tariff. Therefore, subject to the conditions stated below, the Board **HEREBY APPROVES** the Service Agreement effective on the first day of the month following the effective date of Board approval as provided in the Service Agreement.

PSE&G's costs remain subject to audit by the Board. This Decision and Order does not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

This Order shall become effective on August 24, 2016.

DATED: 8/24/16

BOARD OF PUBLIC UTILITIES  
BY:

  
RICHARD S. MROZ  
PRESIDENT

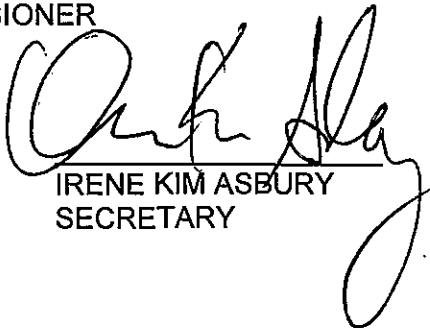
  
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COMMISSIONER

  
MARY-ANNA HOLDEN  
COMMISSIONER

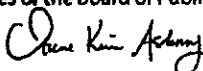
  
DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:

  
IRENE KIM ASBURY  
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 RATE SCHEDULE CSG TRANSPORTATION SERVICE AGREEMENT  
BETWEEN PUBLIC SERVICE ELECTRIC AND GAS COMPANY AND NORTH JERSEY  
ENERGY ASSOCIATES ("NJEA")  
DOCKET NO. GR16050403

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MAY 09 2016

BOARD OF PUBLIC UTILITIES  
MAIL ROOM

**Rate Schedule CSG Service Agreement**

10-03-01-0

CMG

This Rate Schedule CSG Service Agreement ("Agreement") dated March \_\_, 2016 is by and between Public Service Electric and Gas Company ("PSE&G"), a New Jersey corporation having its principal offices at 80 Park Plaza, Newark, New Jersey 07101 and North Jersey Energy Associates, a Limited Partnership ("NJEA") 601 Jernee Mill Rd, Sayreville, NJ (collectively the "Parties" or individually the "Party").

**Witnesseth**

WHEREAS NJEA owns an electric generation facility in Sayreville, NJ ("the Facility"); and

WHEREAS PSE&G presently provides natural gas transportation services to the Facility at contract rates approved by the New Jersey Board of Public Utilities ("NJBPU"); and

WHEREAS NJEA has submitted an application to PSE&G seeking firm CSG gas transportation service under PSE&G's Rate Schedule CSG - Contract Service (CSG) to the Facility, and

WHEREAS PSE&G has evaluated NJEA's application for Rate Schedule CSG gas transportation service and determined that it would be consistent with the terms of its Tariff for Gas Service on file with and approved by the NJBPU -- B.P.U.N.J. No. 15 -- Gas (hereinafter "Gas Tariff"), and all succeeding tariffs, including the terms of Rate Schedule CSG, for PSE&G to provide firm transportation service to NJEA at the rates, terms and conditions set forth in this Agreement; and

WHEREAS PSE&G wishes to provide to NJEA and NJEA wishes to purchase from PSE&G CSG gas transportation service at the rates, terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the above stated promises and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Term

1.1 Effectiveness – This Agreement shall be effective March 1, 2016 or the first day of the month following the effective date of approval of this Agreement by the NJBPU if the effective date of such approval is later than March 1, 2016 (the “Effective Date”) and shall extend for a period of ten (10) years thereafter, subject to early termination as expressly provided in this Agreement.

2. CSG Services

2.1 CSG Service – From and after the Effective Date specified in Section 1.1, PSE&G shall provide firm CSG gas transportation service to the Facility as listed below under the terms of this Agreement and pursuant to Rate Schedule CSG and the general terms of PSE&G’s Gas Tariff as may be modified from time to time in accordance with applicable law. The delivery point for the Facility to which PSE&G shall provide delivery service is at meter numbers 2209058 and 2745019, ~~or their successors. NJEA shall obtain gas supply from a Third-Party Supplier~~ and such arrangement shall comply with PSE&G tariffs. In addition to the requirements of the PSE&G tariffs, NJEA shall provide that 60% of volumes delivered to the PSE&G system to be from the gas pipeline owned by Transcontinental Gas Pipe Line Company, LLC and 40% of the volumes delivered to the PSE&G system to be from the gas pipeline owned by Texas Eastern Transmission LP. Upon PSE&G finding that NJEA has not complied materially

with the requirements of this section 2.1, PSE&G shall provide NJEA written notice describing such non-compliance and, if such non-compliance is not remedied by NJEA within thirty days of such notice, then PSE&G may, at its sole discretion, require NJEA to provide that 100% of volumes delivered to the PSE&G system to be from the gas pipeline owned by Transcontinental Gas Pipe Line Company.

2.2 CSG Service Rates – The rates charged to NJEA shall be in accordance with Rate Schedule CSG tariff under its Economic Viable Bypass alternative for firm CSG gas transportation service. None of the rates set forth in this Agreement include other charges imposed by law that may currently apply, unless otherwise stated.

A. Charges:

1. Service Charge as set forth in Rate Schedule CSG.
2. Distribution Charge - \$ [REDACTED] per therm delivered without Sales and use tax ("SUT") (\$ [REDACTED] per therm delivered with SUT at rate in effect at the time of Agreement signing).
3. Maintenance Charges of \$ [REDACTED] per therm delivered without SUT (\$ [REDACTED] per therm delivered with SUT at rate in effect at time of service agreement signing).
4. Distribution and Maintenance Charges shall not be modified during the term of this Agreement.

B. Contract Monthly Therms. The contract monthly therms applicable to this agreement are 9,249,409 (110,992,910 therms annually).



C. Billing and Payment – PSE&G will bill NJEA monthly for charges for transportation services in accordance with its Gas Tariff.

3. Approvals and Early Termination

3.1 NJBPU Approval– This Agreement is subject to approval by the NJBPU.

3.2 Early Termination -The early termination rights applicable under this Agreement are as set forth in the CSG Rate Schedule, including a Minimum Annual Distribution Charge as set forth therein.

4. Credit Requirements

4.1 NJEA shall be required to post credit assurances in case of the termination of the service agreement prior to the end of the Term. NJEA shall provide one of the following credit assurances: (1) an advance cash deposit; (2) a standby irrevocable letter of credit; or (3) a guarantee by a parent Guarantor that is acceptable to Public Service.

4.2 The credit amount shall be equal to 50% of the Fixed Monthly Distribution Payment multiplied by the number of months remaining for the term of the service agreement.

~~4.3 Interest on any cash deposited with Public Service as security will be the lower of~~  
the average Federal Funds Effective Rate (as published daily on the Federal Reserve website) for the period of time the funds are on deposit, or six (6) percent.

5. Miscellaneous

5.1 Governing Law – This Agreement shall be governed by the law of the State of New Jersey without resort to principles of conflicts of law.

5.2 Assignment – Neither Party may assign this Agreement without the prior written consent of the non-assigning party, which shall not be unreasonably withheld, conditioned or delayed. Without relieving itself of its obligations under this Agreement, either Party may transfer its interest to an affiliate without the prior consent of the other Party.

5.3 Notices – Notices under this Agreement shall be in writing and shall be sent as follows:

To PSE&G:

President  
Public Service Electric and Gas Company  
80 Park Plaza, T4  
Newark, New Jersey 07102

To NJEA:

Business Manager  
North Jersey Energy Associates  
700 Universe Blvd,  
Juno Beach, FL 33408

5.4 Entire Agreement; Amendments and Waivers – This Agreement, together with all ~~attachments hereto, constitutes the entire agreement between the Parties hereto~~ and shall supersede and take the place of any and all agreements, documents, minutes of meetings, or letters concerning the subject matter hereof made, prior to the Effective Date of this Agreement.

5.5 Construction – The headings and captions of the various articles and sections of this Agreement have been inserted solely for purposes of convenience, are not part of this Agreement, and shall not be deemed in any manner to modify, explain,

expand or restrict any of the provisions of this Agreement. The term "including" when used herein shall mean "including, without limitation." Wherever in this Agreement the singular number is used, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders, and vice versa, as the context shall require.

- 5.6 Third Party Beneficiaries – No individual or entity other than the Parties shall have any rights or claims under this Agreement.
- 5.7 No Waiver – The failure of either Party to seek redress for any breach, or to insist upon the strict performance, of any covenant or condition of this Agreement by the other shall not be, or be deemed to be, a waiver of the breach or failure to perform nor prevent a subsequent act or omission in violation of, or not strictly complying with, the terms hereof from constituting a default hereunder.
- 5.8 Multiple Counterparts – This Agreement may be executed in one or more counterparts, including pdf or facsimile pages, which shall be deemed originals, all of which shall together constitute one and the same instrument.
- 5.9 Cumulative Remedies – All rights and remedies of either Party are cumulative of ~~each other and of every other right or remedy such Party may otherwise have at~~ law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.
- 5.10 Representation by Counsel; Mutual Negotiation – Each Party has been represented by counsel of its choice in negotiating this Agreement. This Agreement shall therefore be deemed to have been negotiated and prepared at the joint request,

direction and construction of the Parties, at arm's length with the advice and participation of counsel, and will be interpreted in accordance with its terms without favor to any Party.

- 5.11 Confidentiality-- Until such time as this Agreement becomes effective the Parties shall use commercially reasonable efforts to keep the Distribution and Maintenance Charges set forth in Section 2.2 confidential until approved by the NJBPU. Throughout the Term of this Agreement, the Parties shall also use commercially reasonable efforts to keep confidential the Contract Monthly Terms set forth in Section 2.2, as well as any volumetric information contained in NJEA's application. The Parties may provide the confidential information described herein to obtain approval of this Agreement, to comply with lawfully issued court orders or the requirements of regulatory agencies having jurisdiction over this Agreement or to the extent necessary to enforce this Agreement. The Parties shall cooperate to claim confidentiality of the confidential information pursuant to New Jersey's Open Public Records Act and the NJBPU's regulations concerning same.
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**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be duly executed under seal on their respective behalf, by their respective duty authorized officers, all as of the day and year first above written.

**Public Service Electric and Gas Company**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

**North Jersey Energy Associates, a Limited Partnership**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed under seal on their respective behalf, by their respective duty authorized officers, all as of the day and year first above written.

Public Service Electric and Gas Company

By: J. L. Curdenas

Name: Jorge L. Curdenas

Title: Vice President, Asset Management and Centralized Services

Dated: 4/28/16

North Jersey Energy Associates, a Limited Partnership

By: Northeast Energy, LP  
Its General Partner

By: ESI Northeast Energy GP, Inc.,  
Its General Partner

By: Rebecca Kujawa

Name: Rebecca Kujawa

Title: President

Dated: 4/20/2016