



Agenda Date: 09/30/14
Agenda Item: 2K

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 RATE SCHEDULE CSG)
TRANSPORTATION SERVICE AGREEMENT)
BETWEEN PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY AND NATIONAL GYPSUM COMPANY)
)
) DECISION AND ORDER
) APPROVING GAS SERVICE
) AGREEMENT
)
) DOCKET NO. GR14040298

Parties of Record:

Martin C. Rothfelder, 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 April 2, 2014, Public Service Electric and Gas Company ("PSE&G" or "Company"), filed a letter with the New Jersey Board of Public Utilities ("Board") seeking approval of the Rate Schedule Contract Service Gas ("CSG") Transportation Service Agreement dated April 1, 2014 (the "Service Agreement") between PSE&G and National Gypsum Company ("National"). 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.¹ The Service Agreement, attached to the letter as Exhibit "A", set forth the rates, terms and conditions under which PSE&G proposes to provide firm natural gas distribution services to National's facilities in Burlington, New Jersey. PSE&G further requested expedited treatment of the filing and confidential treatment for portions of the Service Agreement.

PSE&G presently provides natural gas transportation services to the facilities owned and operated by National at rates and terms set by a previous agreement. According to PSE&G, in April 2013, in an effort to move National to its new arrangement for consideration of discounts (Rate Schedule CSG), the Company provided notice of its intent not to renew its then current contract with National.

¹ B.P.U. N.J. No. 15 Gas, http://pseg.com/family/pseandg/tariffs/gas/pul/gas_tariff.pdf.

2010 Discount Contract Proceeding

In 2010, the Board conducted and completed a proceeding in which it examined the standards applicable to gas distribution rate discounts and associated terms and conditions.² 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."³ The CSG tariff, at sheet 112, paragraph 2, requires Board review and approval of agreements that PSE&G enters into under that tariff.⁴

In accordance with Rate Schedule CSG, National submitted applications seeking discounted rates under the "Other Considerations" portion of Rate Schedule CSG for its facilities. PSE&G asserts that it has reviewed the information set forth in National's application and determined that it was reasonable to extend the offer included in Attachment A to the letter stating that the rate agreement is necessary to prevent the loss of load and the proposed rates exceed marginal costs.

By letter dated August 7, 2014, PSE&G submitted an amendment to the Service Agreement between PSE&G and National ("First Amendment"). The First Amendment changes only the rates reflected in Section 2.2 of the originally filed agreement so that the rates are stated both with and without Sales and Use Tax ("SUT").

KEY TERMS OF THE CONTRACT

The Service Agreement provides for a 20-year term, effective on the first day of the month following the effective date of Board approval of the agreement, subject to early termination as provided in the CSG Tariff. The rate to be charged is based on the contract monthly therms using the methodology applicable to Rate Schedule CSG, which includes a service charge and results in Distribution and Maintenance Charges of \$0.044860 per therm delivered (\$0.048000 with current SUT).

The New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff"), propounded discovery upon PSE&G and National, and Staff represents that all discovery has been answered. In addition to the written discovery, Rate Counsel, Staff, the Company and National (collectively "the Parties") also held discovery and settlement conferences in this matter.

By letter dated September 17, 2014, Rate Counsel submitted a letter stating that it did not object to the Distribution charge including the Societal Benefits Charge, Maintenance Charge, and the terms of service set forth in the proposed Service Agreement and First Amendment.

² 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).

³ 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).

⁴ B.P.U. N.J. No. 15 Gas, Sheet No. 112, http://pseg.com/family/pseanug/tariffs/gas/pub/gas_tariff.pdf.

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 avoiding the loss of load that contributes to the maintenance of the Company's 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 National qualifies for a discounted gas service rate on the basis of other considerations under Rate Schedule CSG.

Accordingly, the Board **HEREBY APPROVES** the Service Agreement attached hereto as Exhibit A as well as the First Amendment attached hereto as Exhibit B.


With respect to the request for confidential treatment of certain information that is claimed to be commercially sensitive or proprietary, the Board **FINDS** that this issue should be decided by the Board's Custodian of Records pursuant to the Board's regulations, if and when a request for release of such data is made under the Open Public Records Act pursuant to N.J.A.C. 14:1-12.

The effective date of this Order shall be the later of October 1, 2014 or date of service of the Order.

PSE&G's rates will 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.

DATED: 9/30/14

BOARD OF PUBLIC UTILITIES
BY:


DIANNE SOLOMON
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST: 
KRISTI IZZO
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 NATIONAL GYPSUM COMPANY
DOCKET NO. GR14040298**

NOTIFICATION LIST

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Newark, NJ 07102-4194

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Rate Schedule CSG Transportation Service Agreement

This Rate Schedule CSG Transportation Service Agreement ("Agreement") 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 National Gypsum Company ("National") of 1818 River Rd., Burlington, NJ 08016 (collectively "the Parties" or individually "Party").

Witnesseth

WHEREAS National submitted an application dated August 14, 2013 to PSE&G seeking firm transportation service under PSE&G's Rate Schedule CSG - Contract Service to the Facilities under the portion of the tariff entitled "Other Considerations", and

WHEREAS PSE&G has evaluated National's application for Rate Schedule CSG 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"), including the terms of Rate Schedule CSG, for PSE&G to provide firm transportation service to National at the rates, terms and conditions set forth in this Agreement; and

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

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

1. Term

This Agreement shall be effective April 1, 2014 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 April 1, 2014 (the "Effective Date") and shall extend for a period of twenty (20) years thereafter (each such year being a Contract Year during the term of this Agreement).

2. Transportation

2.1 Transportation Service – From and after the Effective Date specified in Section 1.1, PSE&G shall provide firm natural gas transportation service at PSE&G meter delivery point with meter number 1807983 to National. PSE&G shall provide gas volumes as follows: [REDACTED] Thousand Cubic Feet (Mcf) on a maximum hourly basis, [REDACTED] Mcf on an average daily basis, and [REDACTED] Mcf on a maximum monthly average daily usage basis. Average Annual Therms for this service are [REDACTED].

2.2 Rates The rates charged to National for the Facilities served under this Agreement shall be composed of Delivery Charges as set forth below, plus all other current and future CSG tariff charges that may apply, such as the New Jersey Energy Sales and Use Tax, the Transitional Energy Facilities Assessment, the Societal Benefits Charge or the Regional Greenhouse Gas Initiative charge.

Delivery Charges – As provided in the PSE&G Rate Schedule CSG, the rates for service to all Facilities served under this Agreement will consist of the following charges:

1. Service Charge as set forth in Rate Schedule CSG.
2. Distribution and Maintenance Charges - [REDACTED] per therm delivered.

2.3 Billing And Payment – PSE&G will bill National monthly for charges for transportation services in accordance with its Gas Tariff.

3. Approvals

3.1 NJBPU Approval - This Agreement is contingent upon approval by the New Jersey Board of Public Utilities ("NJBPU").

4. Miscellaneous

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

4.2 Assignment - Neither Party may assign this Agreement without the prior written consent of the non-assigning party, which shall not be unreasonably withheld 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.

4.3 Notices - Notices under this Agreement shall be in writing and shall be sent as follows:

To National:

National Gypsum Company
Attn: Energy Department
2001 Rexford Rd.
Charlotte, NC 28211

TO: PSE&G

President
Public Service Electric and Gas Company
80 Park Plaza
Newark, NJ 07102

4.4 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.

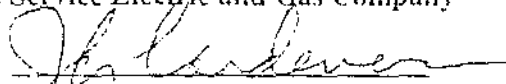
- 4.5 Construction – The headings and captions of the various articles and sections of this Agreement have been inserted solely for purposes of convenience, are not part of this Agreement, and shall not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement. The term “including” when used herein shall mean “including, without limitation.” Wherever 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.
- 4.6 Third Party Beneficiaries – No individual or entity other than the Parties shall have any rights or claims under this Agreement.
- 4.7 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.
- 4.8 Multiple Counterparts - This Agreement may be executed in one or more counterparts, including facsimile pages which shall be deemed originals with the originals to be provided within a reasonable time, all of which shall together constitute one and the same instrument.
- 4.9 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.

4.10 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.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed under seal on their respective behalf, by their respective duly authorized officers.

Public Service Electric and Gas Company

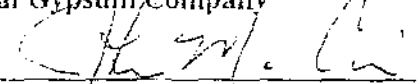
By: 

Name: Jorge H. Cavderna

Title: VP, ASSET MANAGEMENT & Cont. Services

Dated: 3/22/14

National Gypsum Company

By: 

Name: John M. Corsi

Title: VP, Manufacturing

Dated: 3/18/14

PUBLIC VERSION

Amendment No. 1 to Rate Schedule CSG Transportation Service Agreement

This Amendment no. 1 to the Rate Schedule CSG Transportation Service Agreement (“Agreement”) 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 National Gypsum Company (“National”) of 1818 River Rd., Burlington, NJ 08016, signed by PSE&G on March 28, 2014, is to amend section 2.2 of the Agreement to clearly state the Distribution and Maintenance Charges without and with the New Jersey Energy Sales and Use Tax and consistent with the correspondence between the Parties offering and agreeing on said charges.

Witnesseth

WHEREAS the Parties agree to amend section 2.2 of the Rate Schedule CSG Transportation Service Agreement as set forth below:

2.2 Rates – The rates charged to National for the Facilities served under this Agreement shall be composed of Delivery Charges as set forth below, plus all other current and future CSG tariff charges that may apply, such as the New Jersey Energy Sales and Use Tax, the Transitional Energy Facilities Assessment, the Societal Benefits Charge or the Regional Greenhouse Gas Initiative charge.

Delivery Charges – As provided in the PSE&G Rate Schedule CSG, the rates for service to all Facilities served under this Agreement will consist of the following charges:

1. Service Charge as set forth in Rate Schedule CSG.

PUBLIC VERSION

2. Distribution and Maintenance Charges - [REDACTED] per therm delivered ([REDACTED] with current sales and use tax).

IN WITNESS WHEREOF, the Parties have caused this Amendment Number 1 to the Agreement to be duly executed under seal on their respective behalf, by their respective duty authorized officers.

Public Service Electric and Gas Company

By: J. H. Cardenas
Name: J. H. CARDENAS
Title: V. P. AMDCS
Dated: 8/7/14

National Gypsum Company

By: J. M. Corsi
Name: John M. Corsi
Title: VP, Manufacturing
Dated: 8/5/14