



Agenda Date: 10/31/16
Agenda Item: 2E

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/

ENERGY

IN THE MATTER OF RATE SCHEDULE CSG)
TRANSPORTATION SERVICE AGREEMENT)
BETWEEN PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY AND EFS PARLIN HOLDINGS, LLC)
("PARLIN"))
DECISION AND ORDER
APPROVING GAS SERVICE
AGREEMENT
DOCKET NO. GR16070619

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 on behalf of EFS Parlin Holdings, LLC

BY THE BOARD:

BACKGROUND AND PROCEDURAL HISTORY

By petition dated June 29, 2016, Public Service Electric and Gas Company ("PSE&G" or "Company"), filed a petition with the New Jersey Board of Public Utilities ("Board") for approval of the Rate Schedule Contract Service Gas ("CSG") Transportation Service Agreement dated June 22, 2016 ("Service Agreement") between PSE&G and EFS Parlin Holdings, LLC ("Parlin"). On September 16, 2016, PSE&G filed Amendment No. 1 to the Service Agreement ("Amendment No. 1").¹ On October 14, 2016, PSE&G filed Amendment No. 2 to the Service Agreement ("Amendment No. 2").² The filing was submitted pursuant to PSE&G's Rate Schedule CSG-Contract Service ("Rate Schedule CSG") as set forth in its Tariff for Gas Service on file with and approved by the Board.³ The Service Agreement sets forth the rates, terms and conditions under which PSE&G shall provide natural gas distribution services to Parlin's electric generating facility ("Facility") in Parlin, New Jersey. PSE&G further requested expedited treatment of the filing.

¹ Amendment No. 1 was filed to reflect the deletion of Section 5.11 of the Service Agreement, which required the parties to maintain certain information as confidential.
² Amendment No. 2 was filed to correct a tariff reference in the contract to the correct tariff schedule.
³ B.P.U. N.J. No. 15 GAS, https://www.pseg.com/family/pseandg/tariffs/gas/pdf/gas_tariff.pdf

According to the filing, PSE&G presently provides natural gas transportation services to the Facility. Parlin owns the 113 megawatt ("MW") Facility that operates in the PJM Interconnection, L.L.C.⁴ ("PJM") wholesale energy market.

Historically, Parlin paid a negotiated rate for gas delivery service from PSE&G under a gas service agreement which was approved by the Board Order dated March 24, 2004.⁵ Upon expiration of its gas service agreement, Parlin began paying the then applicable PSE&G Rate Schedule Non-Firm Transportation Gas Service ("TSG-NF") rates for gas delivery service.

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.⁶ 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."⁷ The tariff for CSG service, at sheet 112, paragraph two (2), requires Board review and approval of agreements that PSE&G enters into under that tariff.⁸

June 29, 2016 Filing

In accordance with Rate Schedule CSG, Parlin submitted an application seeking discounted rates under the "Other Considerations" portion of Rate Schedule CSG for gas transportation service to its Facility. In its request, Parlin stated that the requested CSG agreement would: 1) prevent the closure of the Facility that would otherwise occur as the result of financial pressure from PJM's newly instituted Capacity Performance regime such that the Facility will continue to contribute revenues that benefit other customers of PSE&G; 2) reduce the Facility's variable operating costs such that Facility electric energy production will increase thereby increasing gas revenues to the benefit of other PSE&G customers; and 3) allow continued expenditures at the Facility to the benefit of the State and its economy.

⁴ 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.

⁵ In re the Matter of the Application of Jersey Central Power and Light Company for the Approval of the Termination of the Power Purchase Agreements Currently Existing Between it and Calpine Newark, LLC and Calpine Parlin, LLC and the Execution of a New Power Purchase Agreement with CES Marketing II, LLC or its Designee AND In re the Application of Public Service Electric and Gas Company for the Approval of an Amendment to the Gas Service Agreement Currently Existing Between it and Jersey Central Power and Light Company, Docket No. EM04010045, (March 24, 2004).

⁶ 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).

⁷ 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).

⁸ B.P.U. N.J. No. 15 GAS, Sheet No. 112,
https://www.pseg.com/family/pseandg/tariffs/gas/pdf/gas_tariff.pdf

The proposed Service Agreement would convert the method for determining the rate charge to Parlin from a one (1) part variable rate to a two (2) part rate consisting of a fixed component and a volumetric rate. PSE&G contends that the proposed Service Agreement is consistent with the requirements of the tariff for CSG service and is in the best interest of all customers. PSE&G states that the shift in rate design from the tariff to place more of the revenues on a fixed, rather than variable, basis, and the early termination charge, make the receipt of revenues more assured than under the tariff pricing and arrangements. In addition, PSE&G states that this shift in rate design of gas transportation service should also enable Parlin to sell more power in the market than it would without this change, which should bring PSE&G customers and others in New Jersey additional economic benefits.

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 Service 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 a fixed monthly charge and a variable volumetric charge.

Board Staff and the New Jersey Division of Rate Counsel ("Rate Counsel"), propounded discovery upon PSE&G and Parlin, and all such discovery has been answered. By letter dated October 19, 2016, Rate Counsel indicated that it did not object to the Board's approval of the proposed Service Agreement.

DISCUSSION AND FINDINGS

The Board has carefully reviewed the Company's letter filing, Parlin's application and the proposed contract. The proposal would change the rate from a one-part volumetric rate to a two-part rate consisting of a fixed monthly charge and a variable per therm charge. Units are dispatched by PJM on the basis of a unit's locational marginal pricing ("LMP") which reflects variable input charges and the unit's heat rate. It is likely that the Parlin unit would be dispatched more often given the reduction in the variable input costs. This in turn should increase the throughput from PSE&G producing greater revenues to PSE&G that would be largely credited back to its gas customers.

After reviewing the filing and Service Agreement, Amendment No. 1, and Amendment No. 2, 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 would otherwise result from the bypass of the distribution system. The loss of load would result in reduced revenue that would otherwise harm ratepayers. The Board is also satisfied that the Service Agreement meets the requirements of PSE&G's previously approved tariff for CSG service.

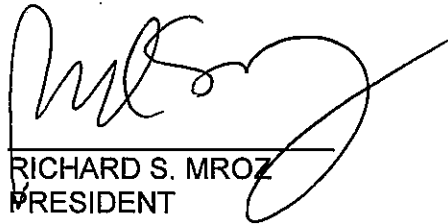
Therefore, the Board **HEREBY FINDS** that Parlin qualifies for a discounted gas service rate on the basis of Other Considerations aspect of the tariff for CSG service, and the rate to be charged satisfies the requirements of the tariff. Therefore, the Board **HEREBY APPROVES** the Service Agreement, as well as Amendment No. 1 and Amendment No. 2 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 October 31, 2016.

DATED:

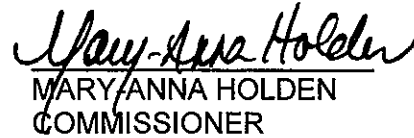
BOARD OF PUBLIC UTILITIES
BY:



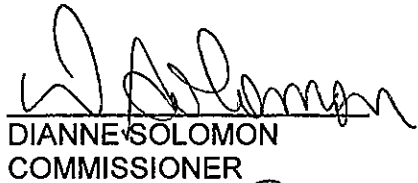
RICHARD S. MROZ
PRESIDENT



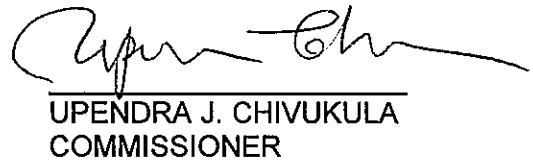
JOSEPH L. FIORDALISO
COMMISSIONER



MARYANNA HOLDEN
COMMISSIONER

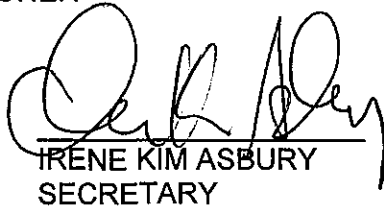


DIANNE SOLOMON
COMMISSIONER



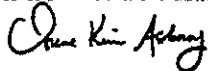
UPENDRA J. CHIVUKULA
COMMISSIONER

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 EFS PARLIN
HOLDINGS, LLC ("PARLIN")
DOCKET NO. GR16070619

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Rate Schedule CSG Service Agreement

This Rate Schedule CSG 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 EFS Parlin Holdings, LLC ("Parlin"), having its principal offices at 790 Washington Road, Parlin, New Jersey 08859 (collectively "the Parties" or individually "Party").

Witnesseth

WHEREAS, Parlin has submitted an application to PSE&G seeking service under PSE&G's Rate Schedule CSG – Contract Service to the Facilities;

WHEREAS, PSE&G has evaluated Parlin's applications for Rate Schedule CSG service including the representations made in that application and in this agreement;

WHEREAS, PSE&G has determined that it would be consistent with the terms of its Tariff for Gas Service on file with and approved by the NJBPU (hereinafter "Gas Tariff"), for PSE&G to provide CSG service to Parlin at the rates, terms and conditions set forth in this Agreement;

WHEREAS, PSE&G has determined that under the rates, terms and conditions set forth in this Agreement, the receipt of revenues is more assured than under the applicable rates in Rate Schedule TSG-NF;

WHEREAS, all revenues resulting from this Agreement shall be credited to customers;

WHEREAS, PSE&G wishes to provide to Parlin and Parlin wishes to purchase from PSE&G CSG service at the charges, rates, terms and conditions set forth in this Agreement; and

WHEREAS, the Agreement between the Parties is designed to provide benefits to ratepayers.

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

1.1 Effectiveness - This Agreement shall be effective on the first day of the month following the effective date of approval of this Agreement by the NJBPU, (the "Effective Date") and shall extend for a period of ten (10) years thereafter (each such year being a Contract Year during the term of this Agreement).

2. CSG Service

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 number 3010526, or its successor. Parlin 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, Parlin 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 Parlin has not complied materially with the requirements of this section 2.1, PSE&G shall provide Parlin written notice describing such non-compliance and, if such non-compliance is not remedied by Parlin within thirty days of such notice, then PSE&G may, at its sole discretion, require Parlin 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 Parlin shall be for firm service in accordance with the Other Considerations alternative of the Rate Schedule CSG tariff, except as set forth below. The rates shall be composed of a Fixed Charge and a Variable Charge, as set forth below. Such charges shall be adjusted after any PSE&G gas, or gas and electric, base rate case by the overall average percent change of gas distribution revenues provided for by such base rate case. Such adjustment shall be effective on the same date as the charges go into effect pursuant to such base rate case.

Charges:

1. Service Charge as set forth in Rate schedule CSG.
2. Fixed Charge - \$15,000 per month (\$16,050 with current Sales and Use Tax, if applicable).
3. Variable Charge - \$0.010000 per Therm delivered (\$0.010700 with current Sales and Use Tax, if applicable).

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

2.6 Other: Other terms and conditions of service, except those specifically stated in this agreement, shall be as provided for in the TSG-NF tariff.

3. Approvals and Early Termination

This Agreement is subject to approval by the NJBPU. Parlin shall pay a termination payment for service terminated prior to the end of the ten year period of this Agreement as defined in section 1 hereof. The payment shall equal 50% of the sum of the Fixed Charge provided herein multiplied by the number of months remaining for the term of the service agreement. The termination payment shall be due to Public Service upon the date the termination becomes effective pursuant to the customer's notice.

4. Credit Requirements

4.1 Parlin shall be required to post credit assurances in case of the termination of the service agreement prior to the end of the Term. Parlin 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 or delayed.

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, T14
Newark, New Jersey 07102

To Parlin:

Portfolio Manager
EFS Parlin Holdings, LLC
800 Long Ridge Road
Stamford, CT

- 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 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 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.

- 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 Charges set forth in Section 2.2 confidential. The Parties may provide the confidential information described herein in order 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 to the extent consistent with the CSG Tariff.

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.

Public Service Electric and Gas Company

By:

Name:

Title:

Dated:

J.L. Carbenas
Jose L. Carbenas
V.P. ASSET MANAGEMENT & C.S.
6/22/16

EFS Parlin Holdings, LLC

By: Power Holding LLC

Its Managing Member

By:

Name:

Title:

Dated:

Mark Mellara
Mark Mellara
vice president
6/7/16

Amendment No. 1 to Rate Schedule CSG Transportation Service Agreement

This Amendment no. 1 to the Rate Schedule CSG Transportation Service 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 EFS Parlin Holdings, LLC ("Parlin"), having its principal offices at 790 Washington Road, Parlin, New Jersey 08859 (collectively "the Parties" or individually "Party") amends the "Rate Schedule CSG Transportation Service Agreement" between PSE&G and Parlin by deleting section 5.11 of that Rate Schedule CSG Transportation Service Agreement.

IN WITNESS WHEREOF, the Parties have caused this Amendment no. 1 to the Rate Schedule CSG Transportation Service Agreement to be duly executed under seal on their respective behalf, by their respective duty authorized officers.

Public Service Electric and Gas Company

By: 

Name: Jorge L. Cardenas

Title: V. P. ASSET MANAGEMENT & C.S.

Dated: 8/28/16

EFS Parlin Holdings, LLC

By: Power Holding LLC
Its Managing Member

By: 

Name: Mark Mellan

Title: Vice President

Dated: 7/12/16

Amendment No. 2 to Rate Schedule CSG Transportation Service Agreement

This Amendment no. 2 to the Rate Schedule CSG Transportation Service 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 EFS Parlin Holdings, LLC ("Parlin"), having its principal offices at 790 Washington Road, Parlin, New Jersey 08859 (collectively "the Parties" or individually "Party") amends Section 2.6 of the "Rate Schedule CSG Transportation Service Agreement" between PSE&G and Parlin by deleting "TSGNF" inserting in lieu the following: "Rate Schedule CSG Contract Service".

IN WITNESS WHEREOF, the Parties have caused this Amendment no. 2 to the Rate Schedule CSG Transportation Service Agreement to be duly executed under seal on their respective behalf, by their respective duty authorized officers.

Public Service Electric and Gas Company

By:

Name:

Title:

Dated:

J. L. Cardenas
J. L. CARDENAS
VP AM&CS
10/13/10

EFS Parlin Holdings, LLC

By:

Power Holding LLC
Its Managing Member

By:

Name:

Title:

Dated:

William Poleway
William Poleway
Vice President
10/16/10