



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

ENERGY

IN THE MATTER OF PUBLIC SERVICE)
ELECTRIC AND GAS COMPANY AGREEMENT) ORDER
WITH PSEG POWER UNDER RATE SCHEDULE) BPU DOCKET NO. GM12100935
CSG SERVICE)

NOTIFICATION LIST ATTACHED

APPEARANCES:

Martin C. Rothfelder, Esq., Attorney for Petitioner, Public Service Electric and Gas Company
Victor A. Fortkiewicz, Esq., Cullen and Dykman LLP, for Public Service Electric and Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Jodi Moskowitz, Esq., for PSEG Power

BY THE BOARD:

On October 12, 2012, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a petition with the New Jersey Board of Public Utilities ("Board") requesting approval of a Transportation Service Agreement between PSE&G and PSEG Power LLC ("PSEG Power"). In addition, PSE&G requested confidential treatment of the Service Agreement. By this Decision and Order, the Board considers a stipulation of settlement ("Stipulation") entered into among PSE&G, PSEG Power, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, the "Parties").

Background:

PSE&G presently provides gas transportation services to generation facilities owned and operated by PSEG Power at nine locations.¹ PSEG Power's Hudson, Kearny and Sewaren generation facilities presently connect directly to the facilities of interstate pipelines. However, all of PSEG Power's facilities currently purchase transportation service from PSE&G at rates approved by the Board by Order dated July 12, 2007 in Docket No. GR06050409 and reaffirmed by Order dated December 22, 2010 in Docket No. GR09050422 ("December 22 Order"). In the December 22 Order, it was contemplated that PSEG Power would continue to pay the current transportation rates until such time as the Board issued a decision in an anticipated generic proceeding governing the provision of discounted gas transportation rates, and approved a filing by PSE&G implementing the Board's decision in that generic proceeding.

¹ Bergen, Linden, Essex, Hudson, Kearny, Mercer, Edison, Burlington, Sewaren.

The Board examined the standards applicable to gas distribution discounts and associated terms and conditions in In re a Generic Proceeding to Consider Prospective Standards for Gas Distribution Utility Rate Discounts and Associated Contract Terms and Conditions, GR10100761, ER10100762 (Order dated 8/18/2011). The Board subsequently approved modifications to PSE&G's tariff, including the establishment of Rate Schedule CSG- Contract Service ("CSG"), to enable PSE&G to provide discount rates to counter economically viable bypass threats or other considerations.

October 2012 Filing

In accordance with Rate Schedule CSG, PSEG Power submitted applications seeking discounted rates under Rate Schedule CSG for certain of its generation facilities- the Bergen generation station and the Linden combined cycle units 1 and 2 generation station. According to the petition, the applications were based on the economically viable bypass alternatives of the facilities. PSEG Power also sought discounts for its Hudson, Kearny and Sewaren facilities based on the fact that those facilities presently are served directly by interstate pipeline facilities and do not require service from PSE&G. PSEG Power did not seek discounted rates for service to its Edison, Essex, Mercer, Burlington and Linden Gas Turbines 5, 6, 7, and 8 generation facilities.

Based on the information provided by PSEG Power, the relevant interstate pipelines, and an independent review by PSE&G, PSE&G determined that (i) it would be economically viable for PSEG Power's Bergen generation station to bypass PSE&G's distribution system and receive gas delivery service directly from Transcontinental Gas Pipeline Company, LLC ("Transco"), (ii) it would be economically viable for PSEG Power's Linden generation station combined cycle units 1 and 2 to bypass PSE&G's distribution system and receive gas delivery service directly from Texas Eastern Transmission L.P. ("Texas Eastern") and (iii) PSEG Power's Hudson, Kearny and Sewaren facilities currently receive service directly from Transco and do not require distribution service from PSE&G.

Based on the above findings, PSE&G proposed Rate Schedule CSG rates for PSEG Power's Bergen, Linden combined cycle units 1 and 2, Hudson, Kearny and Sewaren facilities.² In addition, PSE&G proposed to charge PSEG Power's facilities that do not have economically viable bypass alternatives the full Non-Firm Transportation Gas Service ("TSG-NF") transportation rates applicable to wholesale electric generation facilities for service under Rate Schedule CSG.

In addition, the Company proposed to charge PSEG Power's generation facilities an additional charge to compensate PSE&G's firm sales customers when PSEG Power is able to benefit from its ability to use its tertiary right to obtain lower cost natural gas supplies from PSE&G's Basic Gas Supply Service ("BGSS") provider, PSEG Energy Resources & Trade LLC ("ER&T"). ER&T primarily utilizes its upstream pipeline contracts to provide BGSS service to PSE&G's firm customers. ER&T also makes off-system sales to generate margins and credits that further reduce the ultimate price of delivered gas to PSE&G's firm sales customers. Finally, ER&T may purchase gas for PSEG Power using the BGSS assets rather than obtaining gas supplies at the pipeline city gates where PSEG Power's generation facilities are located. PSE&G proposed to assess PSEG Power a charge that is designed to (i) encourage PSEG Power to use the BGSS assets when they are made available, and (ii) share the benefits of PSEG Power's use of the BGSS assets with PSE&G's firm customers ("BGSS Asset Charge").

PSE&G and PSEG Power have indicated that they consider certain provisions of the Service Agreement to be confidential information under the New Jersey Open Public Records Act, codified as N.J.S.A. 47:1A-1.1 et seq.

² Under Rate Schedule CSG, the Balancing Charge, Societal Benefits Charge and RGGI Recovery Charge are not applicable to PSEG Power's electric generation facilities.

Stipulation

On May 21, 2013, the Parties entered into the Stipulation, the salient terms of which are below.³

A. Approval Of A Rate Schedule CSG Transportation Service Agreement

Information submitted by PSE&G in this proceeding satisfies the requirements of N.J.A.C. 14:3-1.3(f). In place of the Service Agreement filed by PSE&G on October 12, 2012 in this proceeding, PSE&G is authorized, upon approval of the Stipulation by the Board to enter into, and shall enter into, the pro forma CSG Transportation Service Agreement with PSEG Power that is attached to the Stipulation as Appendix B ("CSG Agreement"). If the Stipulation is approved by the Board, the CSG Agreement will become effective October 1, 2013 or such later date as defined in Paragraph D to the Stipulation. Until that date, PSE&G will continue to charge PSEG Power the currently effective rates for transportation service to its generation facilities.

B. Modification To The CSG Agreement

With the exception of the BGSS Asset Charge, all other terms and conditions of the CSG Agreement and the rates and charges assessed under the CSG Agreement will take and remain in effect as provided in, and subject to the terms of, the CSG Agreement. With respect to the BGSS Asset Charge, in addition to the rights set forth in the CSG Agreement, any of the Parties shall have the right to petition the Board to modify the BGSS Asset Charge with such modifications to be effective no earlier than three years after the effective date of the CSG Agreement in a manner consistent with and subject to the terms of the CSG Agreement.

C. Treatment Of Rate Schedule CSG Revenues

In its next annual BGSS proceeding, PSE&G will file and support an allocation of 100 percent of the margin revenues obtained from service to PSEG Power under Rate Schedule CSG (including revenues from the BGSS Asset charge) to residential BGSS customers.

D. Effective Date Of This Stipulation

The Stipulation shall become effective on the date of service of a written order of the Board approving the Stipulation without modification, or upon such date after the service thereof that the Board Order may specify, in accordance with N.J.S.A. 48:2-40 ("effective date"). In the event that the effective date is later than October 1, 2013, the CSG Agreement shall take effect on the first day of the month following the effective date of the Stipulation.

DISCUSSION AND FINDINGS

After reviewing the petition, the Service Agreement and the Stipulation, the Board is satisfied that the Service Agreement meets the requirements of the previously Board approved CSG tariff. Therefore, the Board **HEREBY FINDS** that coupled with the other benefits that the Parties have agreed result from this transaction including the expected benefit to PSE&G's firm BGSS customers, the CSG Agreement qualifies for Rate Schedule CSG.

³ Although described in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions contained in this Order.

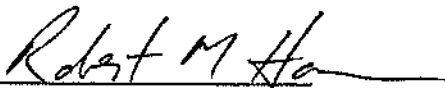
Accordingly, the Board **FINDS** the Stipulation and CSG Agreement to be reasonable and in the public interest, and **HEREBY APPROVES** the Stipulation and the CSG Agreement, effective as of the date this Order is served. N.J.S.A. 48:2-40. The Board notes that the new rates per the agreement will not go into effect until October 1, 2013.

The Company and PSEG Power have requested confidential treatment of certain provisions of the CSG Agreement. With respect to the request for confidential treatment of 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 Company'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: 5/29/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT



JEANNE M. FOX
COMMISSIONER


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 Public Service Electric and Gas Company Agreement with PSEG Power Under Rate
Schedule CSG Service
DOCKET NO. GM12100935

NOTIFICATION LIST

BOARD OF PUBLIC UTILITIES		
Jerome May Board of Public Utilities 44 S. Clinton Avenue, 9 th Fl. P.O. Box 350 Trenton, NJ 08625-0350	Kristi Izzo, Secretary Board of Public Utilities 44 S. Clinton Avenue, 9 th Fl. P.O. Box 350 Trenton, NJ 08625-0350	Stacy Peterson Board of Public Utilities 44 S. Clinton Avenue, 9 th Fl. P.O. Box 350 Trenton, NJ 08625-0350
Rosalie Serapiglia Board of Public Utilities 44 S. Clinton Avenue, 9 th Fl. P.O. Box 350 Trenton, NJ 08625-0350		
DIVISION OF RATE COUNSEL		
Stefanie A. Brand, Esq. Division of Rate Counsel 140 East Front Street, 4th Floor Post Office Box 003 Trenton, N.J. 08625	Paul Flanagan, Esq. Division of Rate Counsel 140 East Front Street, 4th Floor Post Office Box 003 Trenton, N.J. 08625	Felicia Thomas-Friel, Esq. Division of Rate Counsel 140 East Front Street, 4th Floor Post Office Box 003 Trenton, N.J. 08625
Lisa Gurkas Division of Rate Counsel 140 East Front Street, 4th Floor Post Office Box 003 Trenton, N.J. 08625		
DEPARTMENT OF LAW & PUBLIC SAFETY		
Caroline Vachier, DAG Division of Law 124 Halsey Street, P.O. Box 45029 Newark, NJ 07101	Babette Tenzer, DAG Division of Law 124 Halsey Street, P.O. Box 45029 Newark, NJ 07101	Alex Moreau, DAG Division of Law 124 Halsey Street, P.O.Box 45029 Newark, NJ 07101
David Wand, DAG Division of Law 124 Halsey Street, P.O. Box 45029 Newark, NJ 07101		
PSE&G and PSEG Power		
Martin Rothfelder PSEG Services Corporation 80 Park Plaza- T5G Newark, NJ 07102-4194	Jodi Moskowitz PSEG Services Corporation 80 Park Plaza- T5G Newark, NJ 07101	Victor A. Fortkiewicz Cullen and Dykman LLP 44 Wall Street New York, NY 10005-2407

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

-----X
In The Matter Of Public Service Electric And : Docket No. GM12100935
Gas Company Agreement with PSEG Power :
Under Rate Schedule CSG Service : STIPULATION
-----X

Background

Public Service Electric and Gas Company (“PSE&G”) provides gas transportation service to electric generation facilities owned and operated by PSEG Power LLC (“PSEG Power”) at rates approved by the New Jersey Board of Public Utilities (“Board” or “BPU”).¹ PSE&G presently provides service at rates approved by the Board by order dated July 12, 2007 in Docket No. GR06050409 and re-affirmed by order dated December 22, 2010 in Docket No. GR09050422.² Under the December 22 Order, PSEG Power would continue to pay the current transportation rates until such time as the Board issued a decision in an anticipated generic proceeding governing the provision of discounted transportation rates and approved a filing by PSE&G implementing the Board’s decision in such generic proceeding.

In early 2012, in Docket Nos. GR10100761 and ER10100762, the Board conducted and completed a generic proceeding in which it examined the standards applicable to gas transportation discounts and associated terms and conditions.³ Subsequently, the Board

¹Attached as Appendix A is a schedule that sets forth the locations at which PSE&G provides service to PSEG Power.

² See *I/M/O The Petition of Public Service Electric and Gas Company For Approval Of An Increase In Electric And Gas Rates And For Changes In Tariffs For Electric And Gas Service, B.P.U.N.J. No. 14 Electric and B.P.U.N.J. No. 14 Gas Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1 And For Approval Of A Gas Weather Normalization Clause; A Pension Expense Tracker And For Other Appropriate Relief*, “Decision and Order Adopting Stipulation of Settlement (Supplemental Proceeding)” BPU Docket No. GR09050422 (December 22, 2010)(hereinafter “December 22 Order”).

³ See *I/M/O A Generic Proceeding To ‘Consider Prospective Standards For Gas Distribution Utility Rate Discounts And Associated Contract Terms and Conditions*, “Order” BPU Docket Nos. GR10100761 and ER10100762 (August 18, 2011).

approved modifications to PSE&G's tariff, including the establishment of Rate Schedule CSG, to enable PSE&G to provide discount rates to counter economically viable bypass threats or other considerations.⁴

On May 24, 2012, PSEG Power submitted applications seeking discount rates under Rate Schedule CSG for its Bergen generation station and its Linden combined cycle units 1 and 2 generation station based on the fact that these units had economically viable bypass alternatives. In support of its request for discounted rates, PSEG Power provided PSE&G with (i) statements from the relevant interstate pipelines – Transcontinental Gas Pipe Line Company, LLC (“Transco”) with respect to the Bergen generation station and Texas Eastern Transmission, L.P. (“Texas Eastern”) with respect to the Linden combined cycle generation facility – that the proposed interconnections were operationally viable, that sufficient capacity was available and that the pipelines would serve the respective generation stations if requested, (ii) maps and flow diagrams that identified proposed routes by which the pipelines could interconnect their facilities to the Bergen and Linden combined cycle generation facilities, as well as information concerning the facilities needed to effectuate such interconnections, (iii) engineering studies of the estimated costs of completing such interconnections, and (iv) information concerning the status of all reliability and environmental permits from State and Federal agencies needed to complete such interconnections. Subsequently, PSEG Power also sought discounts to pay a \$0.00 per dekatherm distribution and maintenance charge rate under Rate Schedule CSG for its Hudson,

⁴ See *I/M/O 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*, “Order,” BPU Docket No. GT11090616 (May 23, 2012).

Kearny and Sewaren facilities based on the fact that those facilities presently are served directly by interstate pipelines and do not require service from PSE&G.⁵

Based on the information described above provided by PSEG Power, the relevant interstate pipelines, and PSE&G's own investigation, PSE&G determined that (i) it would be economically viable for PSEG Power's Bergen generation station to bypass PSE&G's distribution system and receive gas delivery service directly from Transco because such a bypass would result in cost savings for PSEG Power, (ii) it would be economically viable for PSEG Power's Linden generation station combined cycle units 1 and 2 to bypass PSE&G's distribution system and receive gas delivery service directly from Texas Eastern because such a bypass would result in cost savings for PSEG Power, and (iii) PSEG Power's Hudson and Kearny facilities receive service directly from Transco and the Sewaren facility receives service directly from both Transco and Texas Eastern and therefore none of these facilities require transportation service from PSE&G. As a result of these determinations, PSE&G entered into negotiations with PSEG Power to provide service to its generation facilities under Rate Schedule CSG.

PSEG Power not only purchases local transportation service from PSE&G, but also has a tertiary right to obtain natural gas supplies from PSE&G's Basic Gas Supply Service ("BGSS") provider, PSEG Energy Resources & Trade, LLC ("ER&T"). ER&T primarily utilizes its contracts with upstream interstate pipelines and natural gas suppliers ("the BGSS Assets") to provide BGSS service to PSE&G's firm sales customers. ER&T also makes off-system sales to generate margins and credits that further reduce the ultimate price of delivered gas to PSE&G's firm residential sales customers. Finally, ER&T may purchase gas for PSEG Power using the BGSS Assets rather than obtaining gas supplies at the pipeline city gates where PSEG Power's

⁵ As set forth in Appendix A, the Hudson Facility has an interconnection with PSE&G. However, the Hudson Facility is able to obtain its full natural gas requirements directly from Transco without utilizing PSE&G's facilities.

generation facilities are located. As part of PSE&G's negotiations with PSEG Power for Rate Schedule CSG Service, PSE&G proposed to assess PSEG Power an additional charge, the BGSS Asset Charge, to compensate PSE&G's firm sales customers for PSEG Power's ability to benefit from the ability to use its tertiary right to obtain gas supplies from ER&T using the BGSS Assets.

On October 12, 2012, PSE&G filed a proposed Rate Schedule CSG Transportation Service Agreement ("Service Agreement") between PSE&G and PSEG Power in BPU Docket No. GM12100935 for approval by the BPU. Under the agreement, PSE&G proposed to provide service to the delivery points at which PSE&G provides service to PSEG Power under the CSG Rate Schedule. PSE&G proposed to provide service to PSEG Power's Bergen and Linden Combined Cycle facilities at rates determined in accordance with Rate Schedule CSG that reflect the fact that those facilities have economically viable bypass alternatives. PSE&G further proposed to provide service to PSEG Power's facilities at the Hudson (Transco), Kearny (Transco), Sewaren (Transco) and Sewaren (Texas Eastern) points at rates that reflect the fact that those points are directly connected to interstate pipelines and thus require no local transportation service from PSE&G. PSE&G also proposed to serve PSEG Power's facilities that do not have economically viable bypass alternatives or direct connections to interstate pipelines under Rate Schedule CSG but at rates equivalent to those assessed under Rate Schedule TSG-NF. Finally, PSE&G proposed to charge PSEG Power an additional charge to compensate PSE&G's firm sales customers when PSEG Power uses its tertiary right to obtain natural gas supplies from ER&T using the BGSS Assets.

Representatives of the Staff of the Board of Public Utilities (“Staff”) and the Division of Rate Counsel (“Rate Counsel”), the only other parties to this proceeding, conducted discovery concerning PSE&G’s filing and have held meetings to discuss the issues raised by the filing with PSE&G and PSEG Power. As a result of those meetings, PSE&G, PSEG Power, Staff and Rate Counsel (collectively “the Parties”) have reached this Stipulation, which is intended to resolve all issues raised by PSE&G’s filing.

STIPULATED MATTERS

Based upon and subject to the terms and conditions set forth herein, the Parties stipulate and agree as follows:

A. Approval Of A Rate Schedule CSG Transportation Service Agreement

Information submitted by PSE&G in this proceeding satisfies the requirements of N.J.A.C. 14:3-1.3(f). In place of the Service Agreement filed by PSE&G on October 12, 2012 in this proceeding, PSE&G is authorized, upon approval of this Stipulation by the Board to enter into, and shall enter into, the *pro forma* CSG Transportation Service Agreement with PSEG Power that is attached hereto as Appendix B (“CSG Agreement”). If this Stipulation is approved by the Board, the CSG Agreement will become effective October 1, 2013 or such later date as defined in Paragraph D below. Until that date, PSE&G will continue to charge PSEG Power the currently effective rates for transportation service to its generation facilities.

B. Modification To The CSG Agreement

With the exception of the BGSS Asset Charge, all other terms and conditions of the CSG Agreement and the rates and charges assessed under the CSG Agreement will take and remain in effect as provided in, and subject to the terms of, the CSG Agreement. With respect to the BGSS Asset Charge, in addition to the rights set forth in the CSG Agreement, any of the Parties shall

have the right to petition the Board to modify the BGSS Asset Charge with such modifications to be effective no earlier than three years after the effective date of the CSG Agreement in a manner consistent with and subject to the terms of the CSG Agreement.

C. Treatment Of Rate Schedule CSG Revenues

In its next annual BGSS proceeding, PSE&G will file and support an allocation of 100 percent of the margin revenues obtained from service to PSEG Power under Rate Schedule CSG (including revenues from the BGSS Asset charge) to residential BGSS customers.

D. Effective Date Of This Stipulation

This Stipulation shall become effective on the date of service of a written order of the Board approving this Stipulation without modification, or upon such date after the service thereof that the Board Order may specify, in accordance with N.J.S.A. 48:2-40 (“effective date”). In the event that the effective date is later than October 1, 2013, the CSG Agreement shall take effect on the first day of the month following the effective date of this Stipulation.

E. Entirety Of Stipulation

This Stipulation is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, then any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion.

More particularly, in the event this Stipulation is not adopted in its entirety by the Board in its Order in this matter, then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation, as though this Stipulation had not been signed.

F. Binding Effect

It is the intent of the Parties that the provisions hereof be approved by the Board. The Parties further agree that they consider this Stipulation to be binding on them for all purposes herein.

G. General Reservation

It is specifically understood and agreed that this Stipulation represents a negotiated agreement and is intended to be binding only in this proceeding, except as otherwise expressly provided for herein or as necessary to enforce the terms of this Stipulation, and only as to the matters specifically addressed herein.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation to the Board of Public Utilities and request the Board to issue a Decision and Order approving this Stipulation in its entirety in accordance with the terms hereof.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

By: Kenneth T. Maloney
Victor A. Fortkiewicz
Kenneth T. Maloney
Counsel for Public Service Electric and Gas Company

**STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL**

By: Effie Thomas-Friel
Effie Thomas-Friel
Managing Attorney - Gas
Sarah H. Steindel
Assistant Deputy Rate Counsel

**JEFFREY S. CHIESA
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey Board of Public Utilities**

By: T. David Wand
Alex Moreau
T. David Wand
Deputy Attorneys General

PSEG POWER LLC

By: Josh R. Moskowitz
Josh R. Moskowitz
Counsel for PSEG Power LLC

Dated: May 21, 2013

APPENDIX A

LOCATIONS AND DELIVERY POINTS AT WHICH
PSE&G PROVIDES SERVICE TO PSEG POWER

		Type of Facility	Pipeline	Delivery Point I.D.
A.	Bergen	Viable Bypass	Transco	Ridgefield TR 6101
B.	Edison	Other	Transco	Edison TR 6197
C.	Essex	Other	Texas Eastern	Essex PS 787
D.	Hudson TR ¹	Direct Connect	Transco	Jersey City TR 6230
E.	Hudson PS ¹	Other	Texas Eastern	Hudson PS 128
F.	Kearny	Direct Connect	Transco	Kearny TR 6236
G.	Mercer	Other	Transco	Hamilton TR 6121
H.	Burlington	Other	Transco	Burlington TR 6297
I.	Linden Combined Cycle ²	Viable Bypass	Texas Eastern	Linden PS 817
J.	Linden Combustion Turbines ²	Other	Texas Eastern	Linden PS 784
K.	Sewaren ³	Direct Connect	Transco	Port Reading TR 6033
L.	Sewaren ³	Direct Connect	Texas Eastern	Port Reading TE 066

¹ The Hudson generation facility has direct connections with Transcontinental Gas Pipe Line Company LLC ("Transco") and PSE&G. The full requirements of the Hudson facility can be served through the Transco interconnect.

² The Linden generation facilities consist of two combined cycle facilities and four gas turbine facilities. The combined cycle facilities receive gas separately from the gas turbine facilities.

³ The Sewaren generation facility connects directly to Transco and Texas Eastern Transmission L.P.

Rate Schedule CSG Transportation Service Agreement

This Rate Schedule CSG Transportation Service Agreement (“Agreement”) dated as of October 1, 2013 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 PSEG Power LLC (“Power”), a Delaware Limited Liability Company having its principal offices at 80 Park Plaza, Newark, New Jersey 07101 (collectively “the Parties” or individually “Party”).

Witnesseth

WHEREAS Power owns electric generation facilities (“the Facilities”) and operates these Facilities at various locations through its subsidiary PSEG Fossil LLC (“PSEG Fossil”); and

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

WHEREAS PSE&G’s Basic Gas Supply Service (“BGSS”) is supplied by PSEG Energy Resources & Trade LLC (“ER&T”), a subsidiary of Power, using, *inter alia*, upstream interstate pipeline and natural gas supply contracts, including contracts with Transcontinental Gas Pipe Line Company, LLC (“Transco”) and Texas Eastern Transmission L.P. (“Texas Eastern”), and

WHEREAS ER&T purchases natural gas supplies for Power and delivers such supplies to Power and may, from time to time, utilize the BGSS Assets to effectuate such deliveries, and

WHEREAS Power has submitted applications to PSE&G seeking transportation service under PSE&G’s Rate Schedule CSG – Contract Service to the Facilities, and

WHEREAS PSE&G has evaluated Power’s applications 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 transportation service to Power at the rates, terms and conditions set forth in this Agreement; and

WHEREAS PSE&G wishes to provide to Power and Power wishes to purchase from PSE&G 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

1.1 Effectiveness – This Agreement shall be effective October 1, 2013 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 October 1, 2013 (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), subject to early termination as expressly provided in this Agreement.

2. Transportation

2.1 Transportation Service – From and after the Effective Date specified in Section 1.1, PSE&G shall provide natural gas transportation to the Facilities 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. In the event of a conflict between this Agreement and PSE&G’s Gas Tariff, this Agreement shall control. The Facilities to which PSE&G shall provide service and the delivery point identification number for each facility are as follows:

		Type of Facility	Pipeline	Delivery Point I.D.
A.	Bergen	Viable Bypass	Transco	Ridgefield TR 6101
B.	Edison	Other	Transco	Edison TR 6197
C.	Essex	Other	Texas Eastern	Essex PS 787
D.	Hudson TR	Direct Connect	Transco	Jersey City TR 6230
E.	Hudson PS	Other	Texas Eastern	Hudson PS 128
F.	Kearny	Direct Connect	Transco	Kearny TR 6236
G.	Mercer	Other	Transco	Hamilton TR 6121
H.	Burlington	Other	Transco	Burlington TR 6297
I.	Linden Combined Cycle	Viable Bypass	Texas Eastern	Linden PS 817
J.	Linden Combustion Turbines	Other	Texas Eastern	Linden PS 784
K.	Sewaren	Direct Connect	Transco	Port Reading TR 6033
L.	Sewaren	Direct Connect	Texas Eastern	Port Reading TE 066

The applications submitted by Power for transportation service under PSE&G's Rate Schedule CSG for each above listed delivery point are attached hereto and incorporated herein by reference. As the Facilities provide wholesale electric generation service, they are not subject to New Jersey Energy Sales and Use Tax, the Transitional Energy Facilities Assessment, the Societal Benefits Charge or the Regional Greenhouse Gas Initiative charge. As such, none of the rates set forth in this Agreement include these charges.

2.2. Types Of Facilities – For purposes of this Agreement, each of the Facilities listed in Article 2.1 shall be designated as (i) Viable Bypass Facilities, (ii) Direct Connect Facilities, or (iii) Other Facilities.

A. Viable Bypass Facilities – Viable Bypass Facilities are facilities for which it has been demonstrated to PSE&G that the facilities have an Economically Viable Bypass Alternative under Rate Schedule CSG. Viable Bypass Facilities under this Agreement are Bergen and Linden Combined Cycle. The Contract Monthly Therms are [REDACTED] for the

Bergen Facility and [REDACTED] for the Linden Combined Cycle Facility (“Linden CC Facility”).

- B. Direct Connect Facilities – Direct Connect Facilities are facilities that are already directly connected to an alternative pipeline for gas delivery. These facilities require no transportation service from PSE&G. Direct Connect Facilities under this Agreement are Hudson TR, Kearny and Sewaren.
- C. Other Facilities – Other Facilities are facilities for which it has not been demonstrated at this time that they have an Economically Viable Bypass Alternative under Rate Schedule CSG. Other Facilities under this Agreement are Edison, Essex, Mercer, Burlington, Hudson PS, and Linden Combustion Turbines.

2.3 Transportation Rates – The rates charged to Power for each of the Facilities served under this Agreement will be composed of two parts, Part A – Delivery Charges, and Part B – BGSS Asset Charge, as set forth below.

- A. Delivery Charges – As provided in Rate Schedule CSG, the rates for service to all Facilities served under this Agreement will consist of the following charges:
1. Viable Bypass Facilities
 - a. Bergen Facility
 - i. Service Charge as set forth in Rate Schedule CSG.
 - ii. Distribution and Maintenance Charges - [REDACTED] per Dekatherm (“dth”) delivered.

- b. Linden CC Facility
 - i. Service Charge as set forth in Rate Schedule CSG.
 - ii. Distribution and Maintenance Charges - [REDACTED]
per dth delivered.

For Viable Bypass Facilities – Service Charges may be modified from time to time pursuant to the CSG Rate Schedule. Distribution and Maintenance Charges shall not be modified during the term of this Agreement. Except as set forth herein, no additional charges under the CSG Rate Schedule or as otherwise set forth in the Gas Tariff shall apply. The transportation service provided under Rate Schedule CSG to Viable Bypass Facilities shall be firm service.

2. Direct Connect Facilities

- a. Service Charge as set forth in Rate Schedule CSG.

For Direct Connect Facilities – Service Charges may be modified from time to time pursuant to the CSG Rate Schedule. Except as set forth herein, no additional charges under the CSG Rate Schedule or as otherwise set forth in the Gas Tariff shall apply.

3. Other Facilities

- a. Service Charge as set forth in Rate Schedule TSG-NF.
- b. Other Charges as set forth in Rate Schedule TSG-NF.

For Other Facilities – Other Facilities will be subject to the rates, terms and conditions of Rate Schedule TSG-NF as may be modified from time to time. Other Facilities may seek to qualify as Viable Bypass Facilities or

Direct Connect Facilities if they can demonstrate that they meet the requirements of this Agreement and/or Rate Schedule CSG for those designations.

B. BGSS Asset Charge

1. The "BGSS Assets" are ER&T's upstream interstate pipeline and natural gas supply contracts that are used to meet the firm requirements of PSE&G's BGSS customers and may be used on a non-firm basis to meet the needs of Power's Facilities.
2. Subject to Section 2.3.B.3 and 4. below, the BGSS Asset Charge will be \$0.15 per dth of natural gas delivered to any of the Facilities.
3. Modification of the BGSS Asset Charge – The BGSS Asset Charge shall remain unchanged for a period of at least three (3) Contract Years from the Effective Date and will continue from year to year thereafter unless modified as set forth below, with any such modification to be approved by the NJBPU in a written order. Specifically, at least six (6) months prior to the end of the initial three (3) year period, and at least six (6) months prior to the end of any annual extension thereafter, either PSE&G or Power may seek to modify or eliminate the BGSS Asset Charge, provided that each Party shall retain its full rights to challenge any proposed modifications to the BGSS Asset Charge, including the right to propose alternatives or the elimination of the BGSS Asset Charge,

and provided further that if the outcome of any proceeding to modify or eliminate the BGSS Asset Charge is unacceptable to Power in its sole judgment or if such proceeding is not concluded with a written NJBPU Order within six (6) months of the submission of the filing at the NJBPU to modify the charge, then Power may, on thirty (30) days written notice after the end of the initial three (3) year contract period, or on thirty (30) days written notice after the end of any annual extension thereof, advise PSE&G and the NJBPU that Power will no longer use the BGSS Assets to purchase gas for the Facilities. At the conclusion of such thirty (30) day notice period, Power will no longer be liable for the BGSS Asset Charge under this Agreement and Power will no longer utilize the BGSS Assets for deliveries to the Facilities.

4. The BGSS Asset Charge shall no longer apply if ER&T no longer provides gas supply service to PSE&G for BGSS service.

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

3. Approvals And Early Termination

3.1 NJBPU Approval – This Agreement was approved by the NJBPU by Order dated ___ in Docket No. GM12100935. Under that Order, the Parties are afforded rights to petition the Board to modify the BGSS Asset Charge effective as of the beginning of the fourth Contract Year in accordance with the terms of this

Agreement. Any modifications to the BGSS Asset Charge will afford Power the rights set forth in Section 2.3.B.3 of this Agreement.

- 3.2 Early Termination – The early termination rights applicable to Viable Bypass Facilities under this Agreement are as set forth in the CSG Rate Schedule. To the extent that any of the Direct Connect Facilities are retired or otherwise scheduled or planned to be taken out of service, service to such Facilities may be terminated, or suspended, as applicable, by providing one month’s written notice to PSE&G. Once service is terminated or suspended, all charges to such Direct Connect Facilities shall cease during the period of suspension or termination. Termination for Other Facilities is pursuant to the terms set forth in Rate Schedule TSG-NF, except that if PSEG Power or an affiliate terminates service for one or all of the Other Facilities, and subsequently receives gas transportation service from PSE&G at the same delivery point as the previously-terminated Other Facility(ies) for a facility that generates electricity, the BGSS Asset charge and any other applicable charges shall apply to deliveries received at such facility pursuant to this Agreement.

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 with 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 PSE&G:

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

To POWER:

Vice President, Gas Supply
PSEG Energy Resources & Trade LLC
80 Park Plaza, T19
Newark, New Jersey 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.

- 4.11 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 2.3 for the Bergen and Linden Combined Cycle Facilities confidential. The Parties shall also use commercially reasonable efforts to keep the Contract Monthly Therms set forth in Section 2.2.A confidential during the Term of this Agreement. 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.

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: _____

PSEG Power LLC

By: _____

Name: _____

Title: _____

Dated: _____