



Agenda Date: 06/18/14
Agenda Item: 2C

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 THE RATE SCHEDULE CSG)
TRANSPORTATION SERVICE AGREEMENT)
BETWEEN PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY AND EAGLE POINT POWER)
GENERATION, LLC.)
DECISION AND ORDER
APPROVING GAS SERVICE
AGREEMENT
DOCKET NO. GR14030293

Parties of Record:

Martin C. Rothfelder, Esq., Public Service Electric and Gas Company
James Maiz, Rockland Capital
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On March 27, 2014, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a letter with the New Jersey Board of Public Utilities ("Board") requesting approval of the gas service agreement between PSE&G and Eagle Point Generation, LLC ("Eagle Point"). By this Order, the Board considers an agreement for gas service ("Gas Service Agreement") entered into by PSE&G and Eagle Point under the Company's Board approved CSG ("Contract Service Gas") Tariff.¹

BACKGROUND

As a result of the Board's Order issued in Docket No. GR10100761², PSE&G and the other gas distribution companies ("GDCs") were directed to file revised tariffs that set forth the criteria the company will use when determining whether to offer a discounted rate for gas service.

¹ B.P.U. NJ No. 15 Gas, Sheet No's 112-113, http://pseq.com/family/pseandg/tariffs/gas/pdf/gas_tariff.pdf

² In re the 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).

The Board subsequently approved the modifications to PSE&G's gas tariff including the establishment of Rate Schedule CSG, to enable PSE&G to provide discount rates when presented with evidence of "Economically Viable Bypass" or "Other Considerations." Under this Board approved tariff, once an agreement has been reached between PSE&G and its customer, the Company will forward the proposed contract to the Board for review and approval. Upon gaining the necessary approval from the Board, the customer agrees that the discounted rate set forth under this rate schedule will not be treated as confidential.

COMPANY FILING

On March 27, 2014, the Company filed the letter describing Eagle Point's application seeking service under Rate Schedule CSG and the terms of the proposed contract.

The Company's CSG tariff is designed to address the needs of customers seeking a discount rate from the PSE&G rate schedule for delivery service, whether firm or interruptible. These customer initiated discounts must be based on either (a) an economically viable bypass alternative or (b) "Other Considerations". In this instance, Eagle Point, a wholesale power producer located in Westville, New Jersey, is requesting a discount under the "Other Considerations" category. Eagle Point and the Company contend that this request complies with the language outlined in the "Other Considerations" section of the CSG tariff, which allows discounted rates that, if approved, avoid the loss of load that could otherwise be served at rates that exceed marginal costs.³

Eagle Point currently receives natural gas transportation service from PSE&G at rates and terms provided for in the Non-Firm Transportation Gas Service ("TSG-NF") tariff.⁴ Eagle Point is seeking a contract that would enable it to maintain the same level of payments based on recent volumes. Thus, PSE&G and Eagle Point have been in negotiations pursuant to the Company's CSG tariff. The proposed agreement would essentially convert the method for determining the rate charge to Eagle Point from a one part variable rate to a two part rate consisting of a fixed component and a volumetric rate.

PSE&G contends that this two part rate design will have the following benefits. At a minimum, the same level of payments will be maintained, based on recent volumes, with the potential to increase revenues more than under current applicable tariff rates in PSE&G's Rate Schedule TSG-NF. PSE&G also maintains that there will be further assurance of receipt of revenues, and there will be appropriate incentives to potentially attract new load and new investment in New Jersey. PSE&G maintains that all of these anticipated outcomes provide benefits to ratepayers.

On June 10, 2014, Staff received a letter from James Maiz, President of Eagle Point, on behalf of Rate Counsel. The letter stated that Rate Counsel had authorized Mr. Maiz to represent that Rate Counsel does not object to the Board approving the proposed service agreement between PSE&G and Eagle Point.

³ B.P.U. N.J. No. 15 Gas, Sheet No. 112, http://pseg.com/family/pseandg/tariffs/gas/pdf/gas_tariff.pdf.

⁴ B.P.U. N.J. No. 15 Gas, Sheet No. 99-103, http://pseg.com/family/pseandg/tariffs/gas/pdf/gas_tariff.pdf.

KEY TERMS OF THE CONTRACT

The parties have agreed that this contract would become effective on the first day of the month following the effective day of the approval of this agreement by the Board and will be valid for a period of ten years. From the effective date, PSE&G will move Eagle Point from non-firm natural gas service to firm natural gas service.

The rates Eagle Point will be charged will be in accordance with the "Other Considerations" category of the Rate Schedule CSG tariff except for the following distinction: fixed charges and variable charges will be set forth in two tiers — upon Board approval and the commercial operation of a second, additional steam turbine of at least 30 MW by December 31, 2018.

Charges will be adjusted after any PSE&G gas and or electric rate case by the overall average percent change of gas distribution revenues provided for by such general rate case. Adjustments shall be effective on the same date as the charges go into effect pursuant to the terms of the rate case.

DISCUSSION AND FINDING

The Board has carefully reviewed the Company's letter filing, Eagle Point'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 which reflects variable input charges and the unit's heat rate. It is likely that the Eagle Point 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. Additionally, with the improved competitiveness of this peaking unit expected from this revision to pricing under the proposed contract, Eagle Point represents that it will likely be able to re-power its steam turbine which would yield environmental gains through reduced emissions and improved efficiency.

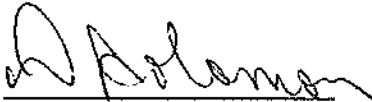
Therefore, based on these representations the Board **FINDS** that, subject to the terms and conditions set forth below, the Gas Service Agreement is reasonable, in the best interests of ratepayers, and in accordance with the law.

The Board **HEREBY APPROVES** the Gas Service Agreement and its terms all of which shall be valid for the specified length of 10 years from the effective date of this Order as requested by the parties.


The effective date of this Order shall be July 1, 2014.

DATED: 6/18/14

BOARD OF PUBLIC UTILITIES
BY:


DIANNE SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

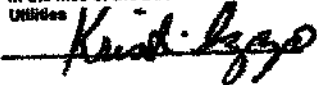

JOSEPH L. FIORDALISO
COMMISSIONER


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 RATE SCHEDULE CSG TRANSPORTATION SERVICE AGREEMENT In
IN THE MATTER OF THE RATE SCHEDULE CSG TRANSPORTATION SERVICE
AGREEMENT BETWEEN PUBLIC SERVICE ELECTRIC AND GAS COMPANY AND EAGLE
POINT POWER GENERATION, LLC. - DOCKET NO. GR14030293

SERVICE LIST

PSE&G:

PSEG Services Corporation
80 Park Plaza – T-5
Newark, NJ 07102-4194

Martin C. Rothfelder, Esq.
martin.rothfelder@pseg.com

Constance Lembo
constance.lembo@pseg.com

Michele Falcao, Law Department
michele.falcao@pseg.com

Stephen Swetz
stephen.swetz@pseg.com

Anthony R. Robinson
anthony.robinson@pseg.com

EAGLE POINT:

James Maiz
Rockland Capital
24 Waterway Avenue, Suite 800,
The Woodlands, TX 77380
james.maiz@rocklandcapital.com

BOARD OF PUBLIC UTILITIES:

44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Office of the Secretary
Kristi Izzo, Secretary

Executive Director
Paul Flanagan, Esq.

RATE COUNSEL:

Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003

Stefanie A. Brand, Esq., Director
sbrand@rpa.state.nj.us

Felicia Thomas-Friel, Esq.
Managing Attorney - GAS
ftomas@rpa.state.nj.us

Lisa Gurkas
lgurkas@rpa.state.nj.us

James W. Glassen, Esq.
jglassen@rpa.state.nj.us

Brian O. Lipman, Litigation Manager
blipman@rpa.state.nj.us

Kurt S. Lewandowski, Esq.
klewando@rpa.state.nj.us

DEPUTY ATTORNEYS GENERAL:

Division of Law
124 Halsey Street
PO Box 45029
Newark, NJ 07101-45029

Caroline Vachier, DAG
caroline.vachier@dol.lps.state.nj.us

Alex Moreau, DAG
alex.moreau@dol.lps.state.nj.us

David Wand, DAG Division of Law
david.wand@dol.lps.state.nj.us

Division of Energy

Jerome May, Director
Rosalie Serapiglia, Manager
Stacy Peterson

Counsel's Office

Megan Lupo, Esq., Legal Specialist

Babette Tenzer, DAG

babette.tenzer@dol.lps.state.nj.us

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 Eagle Point Power Generation LLC (“Eagle Point”), having its principal offices at 1000 Crown Point Road, Westville New Jersey 08093 (collectively “the Parties” or individually “Party”).

Witnesseth

WHEREAS, Eagle Point has submitted an application to PSE&G seeking service under PSE&G’s Rate Schedule CSG -- Contract Service to the Facilities; and

WHEREAS, PSE&G has evaluated Eagle Point’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 Eagle Point at the rates, terms and conditions set forth in this Agreement;

WHEREAS, PSE&G has determined that that under the rates terms and conditions set forth in this agreement, PSE&G will receive more revenues than under current applicable tariff rates in PSE&G’s Rate Schedule TSG-F at recent volumes and due to the fixed charges in this service agreement the receipt of revenues is more assured than under the applicable rates in Rate Schedule TSG-F;

WHEREAS, such additional revenues shall be credited to customers,

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

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

WHEREAS, the Agreement incentivizes Eagle Point to repower its facility through the addition of a second steam turbine which increase the natural gas volumes and revenues to PSE&G, which if it occurs, will provide additional revenues that will be credited to customers.

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, 2013 or 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, PSE&G shall provide firm natural gas to Eagle Point pursuant to this Agreement. The application submitted by Eagle Point for CSG service under PSE&G's Rate Schedule CSG is attached hereto and incorporated herein by reference

2.2 CSG Service Rates – The rates charged to Eagle Point 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 Fixed Charges and Variable Charges, as set forth below. Fixed Charges and Variable Charges are set forth with two distinct tiers: A) Effective upon BPU approval of this Agreement; and, B) Effective upon commercial operation of a second, additional steam turbine of at least 30 MW, by December 31, 2018. Such charges shall be adjusted after any PSE&G gas or gas and electric general rate case by the overall average percent change of gas distribution revenues provided for by such general rate case. Such adjustment shall be effective on the same date as the charges go into effect pursuant to such rate case.

Tier A Charges:

1. Fixed Charges - \$52,000 per month (\$55,640 with current Sales and Use Tax, if applicable).
2. Variable Charges - \$0.010000 per Therm delivered (\$0.010700 with current Sales and Use Tax, if applicable).

Tier B Charges:

1. Fixed Charges - \$60,000 per month (\$64,200 with current Sales and Use tax, if applicable).
2. Variable Charges - \$0.005000 per Therm delivered (\$0.005350 with current Sales and Use Tax, if applicable).

2.3 Commercial Operation of Existing Turbine - For purposes of this section, continued commercial operation of the existing turbine means that the unit has not been deactivated pursuant to the deactivation process in Part V, Section 113 of the PJM Interconnection, L.L.C. (PJM) Open Access Transmission Tariff (OATT) or its successor.

2.4 Commercial Operation of Second Turbine - The second additional steam turbine shall be in commercial operation when:

1. It is in compliance with the following: Parts IV and VI of the PJM OATT or its successor; and
2. has not been deactivated pursuant to the PJM deactivation process in Part V, Section 113 of the PJM OATT or its successor.

2.5 Billing and Payment - PSE&G will bill Eagle Point 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 TSGNF tariff.

3. Approvals

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

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, T14
Newark, New Jersey 07102

To Eagle Point:

President
Eagle Point Power Generation LLC
1000 Crown Point Road
Westville New Jersey 08093

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 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: J. L. Cordero

Name: Jose L. Cordero

Title: Vice President Asset Management and Centralized Services

Dated: March 11, 2014

Eagle Point Power Generation LLC

By: [Signature]

Name: James J. [Signature]

Title: President

Dated: 2/24/14