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CASE MANAGEMENT

JUN 07 2019

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

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FORWARD  
CASE MANAGEMENT  
2019 JUN 10 A 7:56  
STEFANIE A. BRAND  
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TRENTON, NJ

June 6, 2019

**Via Hand-Delivery and Overnight Mail**

Hon. Aida Camacho-Welch, Secretary  
NJ Board of Public Utilities  
44 South Clinton Avenue  
3<sup>rd</sup> Floor, Suite 314  
P.O. Box 350  
Trenton, NJ 08625-0350

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MAIL ROOM

JUN 07 2019

BOARD OF PUBLIC UTILITIES  
TRENTON, NJ

**Re: I/M/O Rate Schedule CSG Transportation Service Agreement Between  
Public Service Electric and Gas Company and UMM Energy Partners LLC  
BPU Docket No. GR18020184**

**I/M/O the Petition of UMM Energy Partners, LLC for an SBC Reduction in  
Connection with a Transportation Service Agreement with Public Service  
Electric and Gas Company  
BPU Docket No. GR18040385**

Dear Secretary Camacho-Welch

Please accept for filing an original and ten (10) copies of the New Jersey Division of Rate Counsel's ("Rate Counsel") comments regarding the above captioned matters.

One additional copy is enclosed. Please date stamp it as "filed" and return it in the enclosed self-addressed stamped envelope.

*Case mgmt  
list copied*

### Background

On February 21, 2018, Public Service Electric and Gas Company's ("PSE&G" or "the Company") filed a letter petition ("CSG Petition") with the Board of Public Utilities ("Board", "BPU") for approval of its proposed Service Agreement with UMM Energy Partners, LLC ("UMM") pursuant to PSE&G's Rate Schedule CSG-Contract Gas Service.

UMM operates an electric cogeneration facility in Montclair, New Jersey which provides service under contract to Montclair State University. PSE&G presently provides firm gas transportation service to UMM under its TSG-NF tariff.

PSE&G's CSG tariff was established pursuant to the standards set by the Board in a generic proceeding which examined the standards applicable to gas distribution discounts and associated terms and conditions.<sup>1</sup> The CSG tariff enables PSE&G to offer discount rates where the customer presents an "Economically Viable Bypass" or "Other Considerations."<sup>2</sup> Furthermore, the CSG tariff provides that any such offers require approval by the Board..<sup>3</sup>

UMM initially submitted an application to PSE&G seeking the proposed rates for service under the "Economically Viable Bypass" provision of Rate Schedule CSG. Petition, p. 3. Transcontinental Gas Pipeline Corporation ("Transco") owns and operates an interstate natural gas pipeline near the UMM facility which, if interconnected with UMM, could provide gas delivery service directly to UMM and bypass PSE&G's natural gas distribution system. *Id.*, at p. 3.

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<sup>1</sup> See I/M/O A Generic Proceeding To Consider Prospective Standards For Gas Distribution Utility Rate Discounts And Associated Contract Terms and Conditions, BPU Docket Nos. GR10100761 and ER10100762 (Order, August 18, 2011).

<sup>2</sup> 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, BPU Docket No. GT11090616 (Order, May 23, 2012).

<sup>3</sup> See PSE&G tariff, sheet 112.

On April 11, 2018, UMM filed a petition (“SBC Petition”) with the Board for approval of a reduction in the Societal Benefits Charge (“SBC”) applicable to its gas service under PSE&G’s CSG tariff.

On April 10, 2019, PSE&G filed an amended letter petition (“Amended CSG Petition”) which sought approval of an amended Service Agreement (“Amended Service Agreement”). The Amended CSG Petition was filed in response to a revised CSG application submitted to PSE&G by UMM under the “Other Considerations” provision of the CSG tariff. Amended CSG Petition, p. 3. The Amended Service Agreement further provides *inter alia* that UMM will withdraw its request for a SBC discount and will not, during the term of the Amended Service Agreement, seek a reduction in the SBC. Amended Service Agreement, paragraph 3.2. By letter dated April 16, 2019, counsel for UMM stated that UMM “wholly supports” the Amended CSG Petition.

#### **Recommendation**

Based on the review of documents and information provided by PSE&G and UMM, Rate Counsel does not object to the terms of service set forth in the proposed Amended Service Agreement.

UMM’s amended CSG application was submitted to PSE&G under the “Other Considerations” provision of the CSG tariff. Amended CSG Petition, p. 3. The “Other Considerations” provision of the CSG tariff provides for negotiated CSG rates where such rates “are necessary to prevent “economic bypass of the Company’s [PSE&G] distribution system.” PSE&G CSG tariff, Sheet 112. Here, UMM has a credible bypass alternative with the nearby Transco pipeline. The proposed Amended Service Agreement provides assurance of system revenue going forward which would not exist absent the proposed agreement, given the

Hon. Aida Camacho-Welch, Secretary  
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possibility of a system bypass with the nearby Transco pipeline. Otherwise, this revenue would need to be recovered at some point from other ratepayers, all else equal. Furthermore, the Amended Service Agreement binds UMM to take distribution service from PSE&G for the 20-year term of agreement, thereby precluding the possibility of bypass during the term of the Amended Service Agreement.

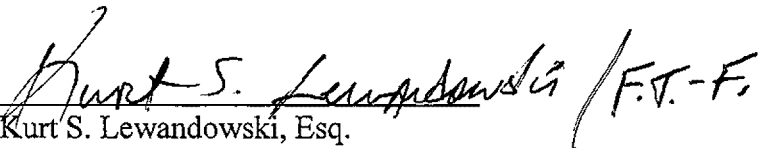
In addition, with sufficient distribution facilities in place to serve UMM, the marginal cost to provide distribution service to UMM is *de minimus* and the proposed delivery charges exceed the marginal cost to serve UMM. Finally, the Amended Service Agreement provides that UMM will withdraw its pending SBC reduction petition and will not seek a discount in the SBC during the term of the agreement.

Thank you for your consideration of this matter.

Respectfully submitted,

STEFANIE A. BRAND  
DIRECTOR, DIVISION OF RATE COUNSEL

By:

  
Kurt S. Lewandowski, Esq.  
Assistant Deputy Rate Counsel

KSL  
Enclosure

c: Service List

In the Matter of Rate Schedule CSG  
Transportation Service Agreement  
between Public Service Electric and  
Gas Company and UMM Energy  
Partners LLC  
BPU Docket No. GR18020184

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