



Agenda Date: 7/10/19
Agenda Item: 2A

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)	DECISION AND ORDER
TRANSPORTATION SERVICE AGREEMENT)	APPROVING GAS SERVICE
BETWEEN PUBLIC SERVICE ELECTRIC AND)	AGREEMENT
GAS COMPANY AND UMM ENERGY PARTNERS)	
LLC)	DOCKET NO. GR18020184
)	
IN THE MATTER OF THE PETITION OF UMM)	
ENERGY PARTNERS, LLC FOR AN SBC)	
REDUCTION IN CONNECTION WITH A)	
TRANSPORTATION SERVICE AGREEMENT)	
WITH PUBLIC SERVICE ELECTRIC & GAS)	
COMPANY)	DOCKET NO. GR18040385

Parties of Record:

Matthew M. Weissman, Esq., on behalf of Public Service Electric and Gas Company
Ira G. Megdal, Esq. on behalf of UMM Energy Partners, LLC
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND

On February 22, 2018, Public Service Electric and Gas Company ("PSE&G") filed a petition ("February 2018 Petition") with the New Jersey Board of Public Utilities ("Board") in Docket No. GR18020184 seeking approval of a Rate Schedule CSG Transportation Service Agreement between PSE&G and UMM Energy Partners, LLC ("UMM"). The filing was submitted pursuant to PSE&G's Rate Schedule CSG- Contract Service ("CSG") pursuant to the "Economically Viable Bypass" provision as set forth in its Tariff for Gas Service on file with the Board.

On April 12, 2018, UMM filed a petition ("April 2018 Petition") with the Board in Docket No. GR18040385 requesting a reduction of the Societal Benefits Charge ("SBC") pursuant to Rate Schedule CSG of PSE&G's Tariff for Gas Service.

On April 11, 2019, PSE&G amended the February 2018 Petition requesting that the Board issue an order approving an amended service agreement ("Amended Agreement") between PSE&G

and UMM that would provide UMM with discounted gas transportation rates pursuant to PSE&G's Rate Schedule CSG as set forth in its Tariff for Gas Service.

PSE&G presently provides interruptible natural gas transportation services to the UMM Central utility plant located at 1 Yogi Berra Drive on the property of Montclair State University ("MSU"), in Montclair, NJ ("UMM Facility"). The UMM Facility currently receives interruptible gas transportation service under PSE&G's TSG-NF tariff service.

Transcontinental Gas Pipeline Corporation ("Transco") owns and operates an interstate natural gas transmission system near the UMM Facility. UMM initially submitted an application to PSE&G for a discounted natural gas transportation rate pursuant to the "Economically Viable Bypass" provision of PSE&G's Rate Schedule CSG.

2010 Discount Contract Proceeding

In 2010, the Board conducted and completed a proceeding in which it examined the standards applicable to gas transportation discounts and associated terms and conditions.¹ Subsequently, the Board 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."² The CSG tariff, at sheet 112, paragraph 2, requires Board approval of agreements that PSE&G enters into under that tariff.

February 2018 Petition

In accordance with Rate Schedule CSG, UMM submitted an application seeking discounted rates on the basis of an economically viable bypass alternative, supported by UMM's ability to bypass PSE&G by connecting directly to Transco. PSE&G reviewed the information set forth in UMM's application for CSG service and subsequent information provided by UMM at PSE&G's request and subsequently submitted the proposed agreement to the Board in the February 2018 Petition.

April 2018 Petition

In the April 2018 Petition, UMM asserted that its requested reduction in the SBC would be passed on for the benefit of MSU and its students. According to UMM, the agreement submitted in the February 2018 Petition was insufficient to meet the financial requirements of UMM and MSU to justify avoiding a bypass.

UMM is a combined heat and power facility that commenced commercial operations in September 2013 and is capable of producing 5.7 MW of electricity, 30 MMBtu of heat recovery, 80,000 lbs/hr of boiler capacity and 4,300 Tons of chilling. According to the April 2018 Petition, the facility will continue to expand and become an independent microgrid by adding an additional 5.2 MW of onsite electric distributed generation along with a fully integrated load management system. The additional MWs and load management system will enable UMM to

¹ In re the Generic Proceeding to Consider Prospective Standards for Gas Distribution Utility Rate Discounts and Associated Contract Terms and Conditions, BPU Docket Nos. GR10100761 and ER10100762 (August 18, 2011).

² 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, BPU Docket No. GT11090616 (May 23, 2012).

produce electricity during critical high demand PJM Interconnection, LLC periods and also operate in island mode and load shed during a complete loss of PSE&G utility power.

UMM also represented that, it has fully evaluated the cost of bypassing the PSE&G distribution system and found that, absent a discount of PSE&G's rates, bypass would provide significant cost savings opportunities that would inure to MSU.

During the course of discussions in these matters, it became apparent that UMM had other bases to apply for a discounted natural gas transportation rate. Accordingly, on January 11, 2019, UMM submitted a revised application seeking interruptible CSG gas transportation services under the "Other Considerations" provision of PSE&G's Rate Schedule CSG instead of the "Economically Viable Bypass" provision of PSE&G's Rate Schedule CSG. PSE&G stated that it evaluated UMM's revised application and determined that it would be consistent with the terms of its Tariff for Gas Service to provide interruptible transportation service to UMM for the UMM Facility at the rates, terms and conditions set forth in the Amended Agreement.

On April 11, 2019, PSE&G filed the Amended Agreement with the Board requesting that the Board issue an order approving the Amended Agreement between PSE&G and UMM that would provide UMM with discounted gas transportation rates pursuant to the "Other Considerations" provision of PSE&G's Rate Schedule CSG. The Amended Agreement sets forth the rates, terms and conditions under which PSE&G proposes to provide interruptible natural gas transportation service to the UMM Facility. As part of the Amended Agreement, UMM agreed to withdraw its request for a reduction of the SBC and further agrees that it will not, during the 20 year term of the agreement, make any subsequent filing(s) for reduction of the SBC.

In the amended petition, PSE&G and UMM also requested that the Board maintain the rates in the Amended Agreement as confidential until approved by a final Board Order and that the Board expedite treatment of this matter.

Key Terms of the Contract

The Amended Agreement provides for a 20 year term, subject to early termination as provided in the Amended Agreement, effective on the first day of the month following the effective date of Board approval of the Amended Agreement. PSE&G shall provide interruptible CSG gas transportation service to the UMM Facility and solely for the UMM Facility under the terms of the Amended Agreement 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. Service shall be limited to 163 thousand standard cubic feet per hour. UMM shall obtain gas supply from a third party supplier and such arrangement shall comply with PSE&G tariffs.

The rate to be charged for service solely to the UMM Facility shall consist of a Distribution Charge and charges set forth below, plus all other current and future applicable charges, such as the SBC and the Green Programs Recovery Charge, that are in, or apply to, the Rate Schedule CSG tariff, Other Considerations alternative for interruptible CSG gas transportation service. The charges shall include: a service charge as set forth in Rate Schedule CSG; a distribution charge of \$0.001 per therm (without Sales and Use Tax); and Sales and Use Tax. The Amended Agreement provides that the distribution charge shall not be modified during the term of the agreement.

PSE&G's Rate Schedule CSG states that, "the delivery charges shall be set to be sufficient to recover revenues in excess of marginal costs for Public Service to provide service to the customer under this rate schedule." It further states, "Delivery charges will be based on agreement reached with Public Service and approved by the Board of Public Utilities." PSE&G provided information demonstrating that the rate offered in the Amended Agreement is in excess of its marginal costs.

The New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff propounded discovery upon PSE&G and UMM, which was responded to.

Rate Counsel Comments

On June 6, 2019, Rate Counsel submitted comments regarding the two matters. Rate Counsel stated that it does not object to the terms of service set forth in the proposed Amended Agreement. Rate Counsel further stated that the 20-year term of the Amended Agreement precludes the possibility of bypass with nearby Transco during this time period. Therefore, the Amended Agreement provides assurance of system revenue going forward which would not otherwise exist. Rate Counsel argued that otherwise, this revenue would need to be recovered at some point from other ratepayers, all else equal. In addition, Rate Counsel stated that the proposed delivery charges exceed the marginal cost to serve UMM and notes that UMM will withdraw its pending SBC reduction petition and will not seek a discount in the SBC during the term of the Amended Agreement.

DISCUSSION AND FINDINGS

The Board has carefully reviewed the record in these proceedings. The Board is satisfied that the Amended Agreement will have a financial impact that is beneficial to the State of New Jersey and PSE&G's ratepayers. This is accomplished by avoiding the loss of load that would otherwise result from the bypass of the distribution system. Additionally, UMM will continue to contribute to the maintenance of the PSE&G distribution system as PSE&G has represented that the rates to be charged under the Service Agreement exceed marginal costs. Ratepayers will also benefit from UMM's continuing contribution to the SBC, Green Programs Recovery Charge, and taxes paid to the State of New Jersey. The Board is also satisfied that the Amended Agreement meets the requirements of PSE&G's previously approved CSG tariff.

Therefore, the Board **HEREBY FINDS** that UMM qualifies for a discounted gas service rate on the basis of other considerations under Rate Schedule CSG, and the rate to be charged satisfies the requirements of the tariff. Therefore, subject to the conditions stated below, the Board **HEREBY APPROVES** the Amended Agreement effective on the first day of the month following the effective date of Board approval as provided in the Service Agreement.

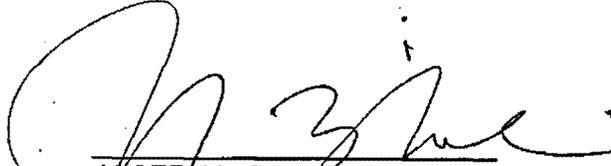
The Board **HEREBY DISMISSES** the petition filed by UMM requesting approval of a discount off of the SBC, assigned Docket No. GR18040385, as UMM has agreed as part of the Amended Agreement to withdraw said petition.

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.

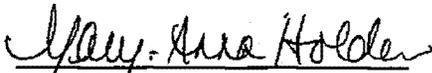
This Order shall be effective July 20, 2019.

DATED: 7/10/19

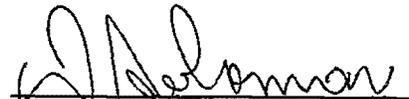
BOARD OF PUBLIC UTILITIES
BY:



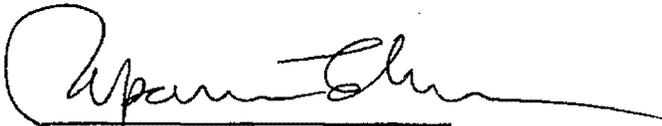
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PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



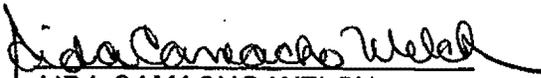
DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST: 

AIDA CAMACHO-WELCH
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 UMM ENERGY
PARTNERS LLC - BPU DOCKET NO. GR1802184

IN THE MATTER OF THE PETITION OF UMM ENERGY PARTNERS, LLC FOR AN SBC
REDUCTION IN CONNECTION WITH A TRANSPORTATION SERVICE AGREEMENT WITH
PUBLIC SERVICE ELECTRIC & GAS COMPANY
BPU DOCKET NO. GR18040385

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Rate Schedule CSG Service Agreement

This Rate Schedule CSG Service Agreement (“Agreement”) dated March 27, 2019 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 UMM Energy Partners, LLC (“UMM”), Brickworks Office Park, 5429 Harding Highway, Building 500, Mays Landing, NJ 08330 (collectively the “Parties” or individually the “Party”).

Witnesseth

WHEREAS UMM owns a central utility plant at 1 Yogi Berra Drive, on the property of Montclair State University, in Montclair, NJ (the “Facility”); and

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

WHEREAS UMM submitted an initial application dated April 30, 2016, that was amended on January 11, 2019, to PSE&G seeking interruptible CSG gas transportation service under PSE&G’s Rate Schedule CSG – Contract Service (CSG) for the Facility; and

WHEREAS PSE&G has evaluated UMM’s application for Rate Schedule CSG gas transportation 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”), and all succeeding tariffs, including the terms of Rate Schedule CSG, for PSE&G to provide interruptible transportation service to UMM for the Facility at the rates, terms and conditions set forth in this Agreement; and

WHEREAS PSE&G wishes to provide to UMM and UMM wishes to purchase from PSE&G CSG interruptible gas transportation service solely for the Facility at the rates, terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the above stated promises 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 May 1, 2019 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 May 1, 2019 (the “Effective Date”) and shall extend for a period of twenty (20) years thereafter, subject to early termination as expressly provided in this Agreement.

2. CSG Services

2.1 CSG Service – From and after the Effective Date specified in Section 1.1, PSE&G shall provide interruptible CSG gas transportation service to the Facility and solely for 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 numbers 3801725 and 3801726, or their successors. Service shall be limited to 163 Thousand Standard Cubic Feet Per Hour. UMM shall obtain gas supply from a Third Party Supplier and such arrangement shall comply with PSE&G tariffs.

2.2 CSG Service Rates – The rates charged to UMM for service solely to the Facility shall consist of a Distribution Charge and charges as set forth below, plus all other current and future applicable charges that are in, or apply to, the Rate

Schedule CSG tariff , Other Considerations alternative for interruptible CSG gas transportation service. Unless otherwise stated herein, none of the rates set forth in this Agreement include other charges imposed by law (such as, for example, Sales and Use tax (“SUT”)) that may currently apply to PSE&G’s provision of gas service to its customers under its Gas Tariff.

A. Charges:

1. Service Charge as set forth in Rate Schedule CSG.
2. Distribution Charge - \$0.001 per therm delivered without SUT.
3. The Distribution Charge set forth in Section 2.2 A.2., shall not be modified during the term of this Agreement.
4. The SUT applicable to the Facility will be applied to the Distribution Charges set forth in Sections 2.2.A.2. at the SUT rate required by law.

B. Billing and Payment – PSE&G will bill UMM monthly for charges for transportation services as specified hereunder in accordance with its Gas Tariff.

3. Approvals and Withdrawal of Request for SBC Discount

- 3.1 NJBPU Approval– This Agreement is subject to approval by the NJBPU.
- 3.2 Withdrawal of Request for SBC Discount—UMM agrees that it will withdraw its current request for a reduction of the Societal Benefits Charge (“SBC”) pursuant to Rate Schedule CSG, and further that it will not, during the term of this Agreement, make any subsequent filing(s) for reduction of the SBC.

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, conditioned or delayed. Without relieving itself of its obligations under this Agreement, either Party may transfer its interest to an affiliate without the prior consent of the other Party.
- 4.3 Notices – Notices under this Agreement shall be in writing and shall be sent as follows:
- To PSE&G:
- President
Public Service Electric and Gas Company 80 Park Plaza, T4
Newark, New Jersey 07102
- To UMM:
- Business Manager
UMM Energy Partners, LLC Brickworks Office Park 5429
Harding Highway
Building 500
Mays Landing, NJ 08330
- 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 in 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 pdf or facsimile pages, which shall be deemed originals, all of which shall together constitute one and the same instrument.
- 4.9. Cumulative Remedies – All rights and remedies of either Party are cumulative of each other and of every other right or remedy such Party may otherwise have at law or in equity, and the exercise of one or more rights or remedies

shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

4.10 Representation by Counsel; Mutual Negotiation – Each Party has been represented by counsel of its choice in negotiating this Agreement. This Agreement shall therefore be deemed to have been negotiated and prepared at the joint request, direction and construction of the Parties, at arm's length with the advice and participation of counsel, and will be interpreted in accordance with its terms without favor to any Party.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed under seal on their respective behalf, by their respective duty authorized officers, all as of the day and year first above written.

Public Service Electric and Gas Company

UMM Energy Partners, LLC

By:

By:

Name:

Name

Title:

Title:

Dated:

Dated:

Jorge L. Carbenas
Jorge L. Carbenas
V.P. ASSET MANAGEMENT
4/10/19

Frank E. DiCola
FRANK E. DI COLA
CHAIRMAN
APRIL 5, 2019