



Agenda Date: 12/17/14
Agenda Item: 2B

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 RATE SCHEDULE CSG)
TRANSPORTATION SERVICE AGREEMENT)
BETWEEN PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY AND HOMASOTE COMPANY AND THE)
POTENTIAL DISCOUNT OF SOCIETAL BENEFITS)
CHARGES) DOCKET NO. GR14030266

Parties of Record:

Martin C. Rothfelder, Esq., Public Service Electric and Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
Peter Tindall, Homasote Company

BY THE BOARD¹:

BACKGROUND AND PROCEDURAL HISTORY

On March 20, 2014, Public Service Electric and Gas Company (“PSE&G” or “Company”), filed a letter with the New Jersey Board of Public Utilities (“Board”) seeking approval of the Rate Schedule Contract Service Gas (“CSG”) Transportation Service Agreement (the “Service Agreement”) between PSE&G and the Homasote Company (“Homasote”). The filing was submitted pursuant to PSE&G’s Rate Schedule CSG-Contract Service as set forth in its Tariff for Gas Service on file with and approved by the Board.² The Service Agreement, attached to the letter as Exhibit “A”, set forth the rates, terms and conditions under which PSE&G shall provide natural gas distribution services to Homasote’s facilities in West Trenton, New Jersey if approved by the Board. PSE&G further requested expedited treatment of the filing.

In addition, PSE&G and Homasote requested that the Board determine the level of the Societal Benefits Charge (“SBC”) applicable to this service. Homasote requested that the Board find that the SBC charges be discounted to \$0.025³, per dekatherm, while PSE&G takes no position on a discount of the SBC charges for this service. PSE&G further requested that if there is a

¹ Commissioner Upendra J. Chivukula recused himself due to a possible conflict of interest, and did not participate in the deliberations on this matter.

² B.P.U. N.J. No. 15 Gas, http://pseg.com/family/pseandg/tariffs/gas/pdf/gas_tariff.pdf.

³ PSE&G’s current SBC charge is \$0.050899 (\$0.054462 inclusive of Sales and Use Tax (“SUT”))

discount of SBC, that the exact amount of the discount be specified in a Board order for the ten-year term of the proposed Service Agreement.

PSE&G presently provides natural gas transportation services to the facilities owned and operated by Homasote. Homasote received natural gas transportation service from PSE&G at rates and terms initially set by an agreement dated October 8, 1996. In October 2012, in an effort to move the customer to its new arrangement for consideration of discounts (Rate Schedule CSG), PSE&G provided notice of its intent not to renew its contract with Homasote at the end of October 31, 2013. There are currently two meters associated with the Homasote account: one for the process load, and a second for the combined heat and power ("CHP") unit. Homasote has requested the discounted rate be extended and applied to both meters.

2010 Discount Contract Proceeding

In 2010, the Board conducted and completed a proceeding in which it examined the standards applicable to gas distribution discounts and associated terms and conditions.⁴ Subsequently, the Board approved modifications to PSE&G's tariff, including the establishment of Rate Schedule CSG, to enable PSE&G to provide discount gas service rates to counter "Economically Viable Bypass" threats or "Other Considerations."⁵ The CSG tariff, at sheet 112, paragraph 2, requires Board review and approval of agreements that PSE&G enters into under that tariff.⁶

In accordance with Rate Schedule CSG, Homasote submitted an application seeking discounted rates under the "Other Considerations" portion of Rate Schedule CSG for its facilities. PSE&G asserts that it has reviewed the information set forth in Homasote's application and determined that it was reasonable to extend the offer included in Attachment A to the letter stating that the rate agreement is necessary to prevent the loss of load and the rates proposed exceed marginal costs. PSE&G further notes that since this is an application under the Other Considerations portion of PSE&G's CSG tariff, the development of the "estimated annual therm usage" on sheet 112 and 112C of that tariff and the related minimum distribution charge on sheet 112C and termination charge on sheet 112D do not apply to the Service Agreement.

KEY TERMS OF THE CONTRACT

The Service Agreement provides for a ten-year term, subject to early termination as provided in the CSG Tariff, effective on the first day of the month following the effective date of Board approval of the agreement. The rate to be charged is based on the contract monthly therms using the methodology applicable to Rate Schedule CSG, which includes a service charge and results in Distribution and Maintenance Charges of \$0.042056 per therm delivered (\$0.045000 with current SUT).

⁴ In re: a Generic Proceeding to Consider Prospective Standards for Gas Distribution Utility Rate Discounts and Associated Contract Terms and Conditions, Docket Nos. GR10100761 and ER10100762 (August 18, 2011).

⁵ In re: the Generic Proceeding to Consider Prospective Standards for Gas Distribution Utility Rate Discounts and Associated Contract Terms and Conditions; Public Service Electric and Gas Company's Compliance Filing To Implement the Tariff Changes, Docket No. GT11090616 (May 23, 2012) ("Discount Contract Order").

⁶ B.P.U. N.J. No. 15 Gas, Sheet No. 112, http://pseg.com/family/pseandg/tariffs/gas/pdf/gas_tariff.pdf.

The New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff"), propounded discovery upon PSE&G and Homasote, and all such discovery has been answered. In addition to the written discovery, Rate Counsel, Board Staff, the Company and Homasote also held discovery and settlement conferences in this matter.

Rate Counsel Comments

By letter dated November 21, 2014, Rate Counsel submitted comments on the proposed Service Agreement. Rate Counsel states that it does not object to the Distribution Charge, Maintenance Charge, and terms of service set forth in the proposed Service Agreement.

However, Rate Counsel objects to the proposed reduction in the SBC charge for Homasote's production facilities, stating that neither PSE&G nor Homasote, claims a credible "Economically Viable Bypass" situation exists. Rate Counsel further argues that Homasote already operates under a non-discounted rate since the expiration of its prior Off Tariff Rate Agreement arrangement (October 31, 2013). Rate Counsel believes that any reduction in the applicable SBC charge would saddle other ratepayers with an increase in the SBC charge to compensate for the loss of the SBC revenues.

With respect to the SBC charge applicable to gas service for Homasote's CHP facilities, Rate Counsel submits that the treatment of the SBC charge applicable to the cogeneration facility should be governed by N.J.S.A. 48:3-60.1, whereby gas provided to generate electricity offered to the PJM grid for "sale for resale" is exempt from SBC charges. Accordingly, Rate Counsel states that to the extent that gas provided through the cogeneration plant's meter is certified for use to generate energy placed on the grid, Rate Counsel does not object to an exemption from the SBC charge for such service.

DISCUSSION AND FINDINGS

After reviewing the filing and Service Agreement, the Board is satisfied that the Service Agreement will have a financial impact that is beneficial to the Company's ratepayers by avoiding the loss of load that would otherwise result if Homasote closes the plant. The loss of load would result in reduced revenue that would otherwise benefit ratepayers. The Board is also satisfied that the Service Agreement meets the requirements of PSE&G's previously approved tariff for CSG service. Therefore, the Board **HEREBY FINDS** that Homasote 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, and subject to the conditions stated below, the Board **HEREBY APPROVES** the Service Agreement effective on the first day of the month following Board approval as provided in the Service Agreement.

As stated by the Board in the Discount Contract Order, nothing in N.J.S.A. 48:3-60(a) shows a legislative intent that the SBC be applied to all customers at the same level, and in practice the SBC charge varies between the utilities. Discount Contract Order at 23. In addition, the Board stated that in the appropriate circumstances, it can permit variation from the strict standard rate per therm that has been the norm for assessing the SBC from gas customers. Ibid.

The Board **NOTES** that Homasote has previously received funds from and participated in the New Jersey Clean Energy Program ("NJCEP") which is funded by the SBC. In this case, based on the information submitted in the filing, the Board **FINDS** that it is appropriate to approve a discounted SBC rate for both meters. However, Homasote has been benefited from the NJCEP, and therefore the Board **FINDS** it appropriate for Homasote to pay the portion of the

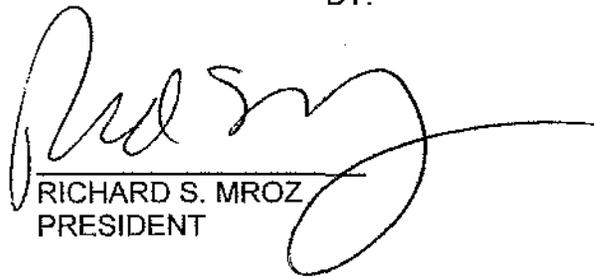
SBC that is attributable to the NJCEP at the level set each year by the Board and allocated to PSE&G. Should the customer leave the system, there would be no contribution to the SBC, further reducing the benefit to the Company's other ratepayers. Should Homasote certify in the future that the gas provided through the cogeneration plant's meter is used to generate energy placed on the grid for resale, such exemption would be reviewed at that time.

Similarly, the Board notes that the agreement does not include a provision for Homasote to pay the Green Programs Recovery Charge ("GPRC"). Therefore, the Board **FINDS** that as a provision of approving the contract, Homasote shall be precluded from participating in, and receiving funds, from any PSE&G energy efficiency or solar program whose costs are recovered in the GPRC.

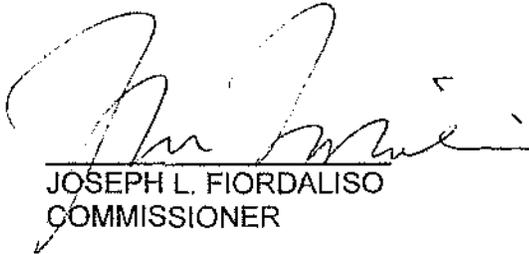
This Decision and Order does not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

DATED: 12/17/14

BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



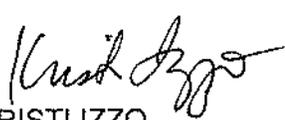
JOSEPH L. FIORDALISO
COMMISSIONER



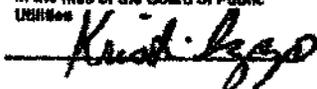
MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
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
BETWEEN PUBLIC SERVICE ELECTRIC AND GAS COMPANY AND HOMASOTE
COMPANY AND THE POTENTIAL DISCOUNT OF SOCIETAL BENEFITS CHARGES**

DOCKET NO. GR14030266

SERVICE LIST

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HOMASOTE

Peter Tindall
Vice President of Operations
Homasote Company
932 Lower Ferry Road
W. Trenton, NJ 08628

Rate Schedule CSG Transportation Service Agreement

This Rate Schedule CSG Transportation 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 Homasote Company ("Homasote") of 932 Lower Ferry Road, West Trenton, NJ 08628 (collectively "the Parties" or individually "Party").

Witnesseth

WHEREAS Homasote submitted an application to PSE&G seeking interruptible transportation service under PSE&G's Rate Schedule CSG – Contract Service to the Facilities under the portion of the tariff entitled "Other Considerations", and

WHEREAS PSE&G has evaluated Homasote's application 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 interruptible transportation service to Homasote at the rates, terms and conditions set forth in this Agreement; and

WHEREAS PSE&G wishes to provide to Homasote and Homasote wishes to purchase from PSE&G interruptible transportation service at the rates, terms and conditions set forth in this Agreement; and

WHEREAS Homasote further requests to have the Societal Benefits Charges applicable to this service discounted and PSE&G has no position on that, such that both parties request that the Board of Public Utilities address potential discounted SBC for PSE&G's service.

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 November 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 November 1, 2013 (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. Transportation

2.1 Transportation Service -- From and after the Effective Date specified in Section

1.1, PSE&G shall provide interruptible natural gas transportation service at PSE&G meter delivery point with meter numbers 1554282 and 3229126 to Homasote. PSE&G shall provide gas volumes as follows: 50 Thousand Cubic Feet (Mcf) on a maximum hourly basis, 800 Mcf on an average daily basis, and 20,000 Mcf on a maximum monthly average daily usage basis. In the event of a conflict between this Agreement and PSE&G's Gas Tariff, this Agreement shall control.

2.2 Rates -- The rates charged to Homasote for the Facilities served under this

Agreement shall be composed of Delivery Charges as set forth below, plus all other current and future CSG tariff charges that may apply, such as the New Jersey Energy Sales and Use Tax, the Transitional Energy Facilities Assessment,

the Societal Benefits Charge or the Regional Greenhouse Gas Initiative charge, except as provided by the Board of Public Utilities.

Delivery Charges – As provided in the PSE&G Rate Schedule CSG, the rates for service to all Facilities served under this Agreement will consist of the following charges:

1. Service Charge as set forth in Rate Schedule CSG.
2. Distribution and Maintenance Charges - \$0.045000 per therm delivered.

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

3. Approvals

3.1 NJBPU Approval -- This Agreement is contingent upon approval by the New Jersey Board of Public Utilities.

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 Homasote:

Vice President of Operations
Homasote Company
932 Lower Ferry Road
W. Trenton, NJ 08628

TO: PSE&G

President
Public Service Electric and Gas Company
80 Park Plaza
Newark, NJ 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.

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: JL Cardenas

Name: JL CARDENAS

Title: V.P. AMCS

Dated: 2/13/14

Homasote Company

By: Wacrow L. Flicker

Name: WACROW L. FLICKER

Title: Chm/CEO

Dated: 2/12/2014

and by:

By: Peter Tindall

Name: PETER TINDALL

Title: VP OPERATIONS

Dated: 2/12/14

Amendment No. 1 to Rate Schedule CSG Transportation Service Agreement

This Amendment no. 1 to the Rate Schedule CSG Transportation Service Agreement (“Agreement”) by and between Public Service Electric and Gas Company (“PSE&G”), a New Jersey corporation having its principal offices at 80 Park Plaza, Newark, New Jersey 07101 and Homasote Company (“Homasote”) of 932 Lower Ferry Road, West Trenton, NJ 08628, signed by PSE&G on February 14, 2014, is to amend section 2.2 of the Agreement to clearly state the Distribution and Maintenance Charges without and with the New Jersey Energy Sales and Use Tax and consistent with the correspondence between the Parties offering and agreeing on said charges.

Witnesseth

WHEREAS the Parties agree to amend section 2.2 of the Rate Schedule CSG Transportation Service Agreement as set forth below:

2.2 **Rates** – The rates charged to Homasote for the Facilities served under this Agreement shall be composed of Delivery Charges as set forth below, plus all other current and future CSG tariff charges that may apply, such as the New Jersey Energy Sales and Use Tax, the Transitional Energy Facilities Assessment, the Societal Benefits Charge or the Regional Greenhouse Gas Initiative charge.

Delivery Charges – As provided in the PSE&G Rate Schedule CSG, the rates for service to all Facilities served under this Agreement will consist of the following charges:

1. Service Charge as set forth in Rate Schedule CSG.

2. Distribution and Maintenance Charges - \$0.042056 per therm delivered (\$0.045000 with current sales and use tax).

IN WITNESS WHEREOF, the Parties have caused this Amendment Number 1 to the Agreement to be duly executed under seal on their respective behalf, by their respective duly authorized officers.

Public Service Electric and Gas Company

By: J. L. Cardenas

Name: George L. Cardenas

Title: V.P. Asset Management & Centralized Services

Dated: 9/11/14

Homasote Company

By: Peter Tindall

Name: Peter Tindall

Title: VP

Dated: 9/11/14

BY Peter Tindall

NAME PETER TINDALL

TITLE VP OF OPERATIONS

DATED: 9/11/14