

Historically, BPH paid a negotiated rate for gas delivery service from PSE&G comprised of demand and commodity charges under a gas service agreement dated May 2001. Upon expiration of its gas service agreement in 2008, BPH began paying the then applicable PSE&G Rate Schedule Non-Firm Transportation Gas Service ("TSG-NF") rates for gas delivery service. In 2009, BPH intervened in PSE&G's then pending base rate proceeding (the "2009 Proceeding") before the Board challenging PSE&G's Rate Schedule TSG-NF rate and seeking a new discounted rate for gas delivery service. Pursuant to a Stipulation and Final Board Order in the 2009 Proceeding,² BPH began receiving gas transportation service from PSE&G at a discounted rate. This rate remained effective through December 31, 2013.

COMPANY FILING

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.³ 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."⁴ The CSG tariff, at sheet 112, paragraph 2, requires Board review and approval of agreements that PSE&G enters into under that tariff.⁵

Prior to expiration of the discounted rate, in October 2013, BPH submitted an application to PSE&G seeking a new discounted natural gas transportation rate pursuant to the "Economically Viable Bypass" provision of Rate Schedule CSG.

Texas Eastern Transmission, L.P. ("Texas Eastern") owns and operates an interstate natural gas transmission system, portions of which are located in New Jersey and New York. Texas Eastern constructed a natural gas pipeline in New Jersey ("Line 38") as part of its NJ/NY Expansion Project through Bayonne, within 100 yards of the Facility. According to the filing, in connection with the Expansion Project, Texas Eastern entered into a Memorandum of Understanding with BPH whereupon it agreed, at its sole cost and expense, without any volume commitments from BPH, to facilitate the installation and maintenance of an interconnection facility to Line 38 for BPH's use.

² In re PSE&G for Approval of an Increase in Electric and Gas Rates (Supplemental Proceeding), Docket No. GR09050422 (December 22, 2010).

³ 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).

⁴ 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).

⁵ B.P.U. N.J. No. 15 Gas, Sheet No. 112, http://pseg.com/family/pseandg/tariffs/gas/pdf/gas_tariff.pdf.

In lieu of bypass, BPH submitted an application with PSE&G seeking discounted gas service rates on the basis of an economically viable bypass alternative supported by BPH's ability to bypass PSE&G by contracting directly with Texas Eastern now located just 100 yards away from the Facility. PSE&G represents that it evaluated BPH's application and determined that it was consistent with the terms of its tariff.

KEY TERMS OF THE CONTRACT

The Service Agreement provides for a 20-year term, subject to early termination as provided in the Service Agreement, 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 terms using the methodology applicable to Rate Schedule CSG, which includes a service charge and results in a distribution charge of \$0.003719 per therm delivered (\$0.003979 per therm with current Sales and Use Tax and a Maintenance Charge of \$0.000104 per therm delivered (\$0.000111 per therm with current Sales and Use Tax).

The New Jersey Division of Rate Counsel ("Rate Counsel"), propounded discovery upon PSE&G and BPH, and all such discovery has been answered. In addition to the written discovery, Rate Counsel, Board Staff, the Company and BPH (collectively, the "Parties") also held discovery and settlement conference in this matter. None of the Parties objects to Board approval of the proposed Service Agreement.

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 from the by-pass of the distribution system. 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 this project qualifies for a discounted gas service rate on the basis of an economically viable bypass alternative.

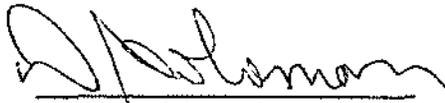
Accordingly, the Board **HEREBY APPROVES** the Service Agreement attached hereto as Exhibit "A".

This Order shall become effective on July 1, 2014.

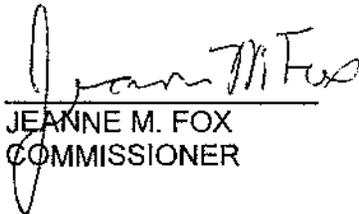
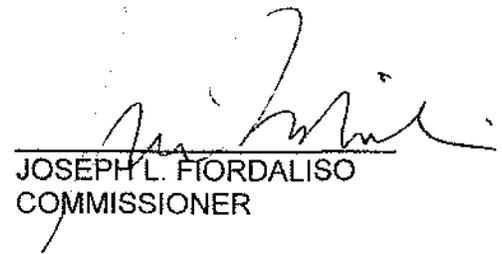
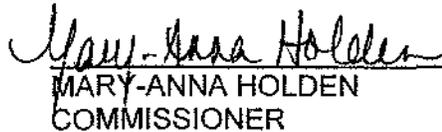
PSE&G's rates will remain subject to audit by the Board. This Decision and Order does not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

Dated: 6/18/14

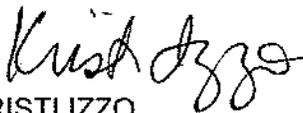
BOARD OF PUBLIC UTILITIES
BY:



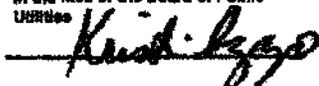
DIANNE SOLOMON
PRESIDENT


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 THE RATE SCHEDULE CSG TRANSPORTATION SERVICE
AGREEMENT BETWEEN PUBLIC SERVICE ELECTRIC AND GAS COMPANY AND
BAYONNE PLANT HOLDING, LLC - DOCKET NO. GR14030267**

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Rate Schedule CSG Service Agreement

This Rate Schedule CSG Service Agreement (“Agreement”) dated February 11, 2014 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 Bayonne Plant Holding, L.L.C., 10 Hook Road, Bayonne, NJ 07002 (“Bayonne”)(collectively “the Parties” or individually “Party”).

Witnesseth

WHEREAS Bayonne owns an electric generation facility and other facilities in Bayonne, NJ (“the Facility”); and

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

WHEREAS Bayonne has submitted an application to PSE&G seeking transportation service under PSE&G’s Rate Schedule CSG – Contract Service (CSG) to the Facility, and

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

WHEREAS PSE&G wishes to provide to Bayonne and Bayonne wishes to purchase from PSE&G CSG service at the rates, terms and conditions set forth in this Agreement.

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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 January 1, 2014 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 January 1, 2014 (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. CSG Services

2.1 CSG Service – From and after the Effective Date specified in Section 1.1, PSE&G shall provide natural gas services to 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 points for the Facility to which PSE&G shall provide service are Meter numbers 2209057 (SIP 129), 3706207 (SIP 832), and 3464436 (SIP 832-3). The supply point will be in accordance with the current Gas Tariff.

2.2 CSG Service Rates – The rates charged to Bayonne shall be in accordance with Rate Schedule CSG tariff under its Economic Viable Bypass alternative (firm service, except as set forth below). None of the rates set forth in this Agreement include other charges imposed by law that may currently apply, unless otherwise stated.

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A. Charges:

1. Service Charge as set forth in Rate Schedule CSG.
2. Distribution Charge - \$ [REDACTED] per therm delivered (\$ [REDACTED] per therm with current Sales and Use Tax).
3. Maintenance Charges of \$ [REDACTED] per therm delivered (\$ [REDACTED] per therm with current Sales and Use Tax).
4. Distribution and Maintenance Charges shall not be modified during the term of this Agreement.

B. Contract Monthly Therms. The contract monthly therms applicable to this agreement are [REDACTED].

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

3. Approvals And Early Termination

- 3.1 NJBPU Approval– This Agreement is subject to approval by NJBPU.
- 3.2 Early Termination –The early termination rights applicable under this Agreement are as set forth in the CSG Rate Schedule.

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

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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 BAYONNE:

Asset Manager
Bayonne Plant Holding, L.L.C.
10 Hook Road
Bayonne, NJ 07002

With a copy to:

General Counsel
Topaz Power Management, LP
2705 Bee Caves Road, Suite 340
Austin, TX 78746

- 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

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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

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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 2.2 confidential until approved by the BPU. Throughout the Term of this Agreement, the Parties shall also use commercially reasonable efforts to keep confidential the Contract Monthly Terms set forth in Section 2.2, as well as any volumetric information contained in Bayonne's application.. The Parties may provide the confidential information described herein to obtain approval of this Agreement, 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.

[Signatures appear on next page]

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

**IN THE MATTER OF RATE SCHEDULE CSG
TRANSPORTATION SERVICE AGREEMENT
BETWEEN PUBLIC SERVICE ELECTRIC AND
GAS COMPANY AND BAYONNE PLANT
HOLDING, LLC**

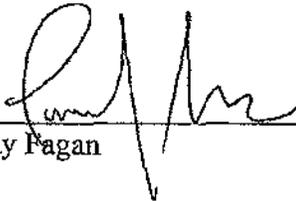
**: BPU DOCKET NO. _____
:
:
: AFFIDAVIT OF
: TIMOTHY FAGAN**

Timothy Fagan, of full age, deposes and says:

1. I am a Vice President, Asset Management for Topaz Power Management, L.P. (TPM).
2. My business address is 15 River Road, Elmwood Park, New Jersey 07407.
3. Bayonne Plant Holding, L.L.C. (BPH) is a Delaware limited liability company registered to do business in New Jersey with its principle place of business at 10 Hook Road, Bayonne, New Jersey. BPH is owned 100% by Sapphire Power Holdings LLC (Sapphire), a Delaware limited liability company also registered to do business in the State of New Jersey.
4. TPM has a contractual obligation to Sapphire to provide asset management services.
5. I offer this Affidavit in support of BPH's claim that the Rate Schedule CSG Service Agreement (the "Agreement") between BPH and PSE&G is and should be maintained as confidential.
6. The Agreement contains proprietary, non-public, confidential information, including market sensitive information that is not available to the general public.
7. Revealing the terms of the Agreement to the public would unfairly place BPH at a competitive disadvantage in the energy market. By way of example, if information related to BPH's cost of service were known to BPH's competitors, BPH's bidding position in the energy market could be substantially impaired.

8. BPH will make the Agreement available to the parties to this proceeding, upon request, following execution of a Non-Disclosure Agreement.

9. The information contained in the Agreement shall remain confidential until such time as the Board of Public Utilities deems otherwise.



Timothy Pagan

Sworn to and subscribed
before me this ____ day of
February 19, 2014



LISA B. SPOLETI
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires June 12, 2016