

CITY OF VINELAND

RESOLUTION NO. 2017-222

RESOLUTION AUTHORIZING THE EXECUTION OF AN  
ADDENDUM TO THE STANDARD GAS SERVICE  
AGREEMENT AND PIPELINE CONSTRUCTION  
AGREEMENT BY AND BETWEEN THE SOUTH JERSEY  
GAS COMPANY A, A NEW JERSEY PUBLIC UTILITY  
CORPORATION, FOLSOM, NEW JERSEY AND THE CITY  
OF VINELAND

WHEREAS, the South Jersey Gas Company (SJG) and the City of Vineland (City) entered into a service agreement approved by the New Jersey Board of Public Utilities on October 13, 2011 wherein the SJG agreed to supply and the City agreed to purchase natural gas delivery services to the Vineland Municipal Electric Utility, Howard M. Down Generation Station (Unit 11); and

WHEREAS, as a result of an increase in usage it has been determined that by increasing the daily allotment provided for in the agreement from 12,840Mcf to 15,000Mcf, the net annual cost will increase by \$129,600.00 and will allow for a full 24 hours per day of unit operation by providing natural gas; and

WHEREAS, without the addendum which provides for 24 hour per day gas delivery service without delay, the PJM Capacity Performance criteria of a planned 100% availability of generation may not be met which carries potential fines for unplanned outages which could be substantially greater than the added cost to include 100% availability of natural gas.

WHEREAS, the Director of the Vineland Municipal Utilities has recommended the execution of an addendum to the standard gas service agreement in the form and substance attached hereto and the CFO has certified the availability of funds.

NOW THEREFORE BE IT RESOLVED by the Council of the City of Vineland that the Mayor and Clerk are hereby authorized to execute the Addendum to the Standard Gas service Agreement and Pipeline construction Agreement by and between the South Jersey Gas company and the City of Vineland in the form and substance as attached hereto.

Adopted:

\_\_\_\_\_  
President of Council

ATTEST:

\_\_\_\_\_  
City Clerk

## Reid Wanda

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**From:** Lillie John  
**Sent:** Thursday, May 11, 2017 3:44 PM  
**To:** Reid Wanda  
**Subject:** FW: SJG Pipeline Agreement Addendum for HMD Unit 11  
**Attachments:** City of Vineland Addendum for Incr Service Volumes Downs Plant Unit 11 04202017 FINAL.pdf; Addendum Justification.docx

Wanda,

This is the one

John Lillie  
Director of VMU  
640 E. Wood St.  
Vineland, N.J. 08360  
Phone: 856-794-4000 Ext. 4164

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**From:** August Steven  
**Sent:** Friday, April 21, 2017 3:27 PM  
**To:** Lillie John <jlillie@vinelandcity.org>; Isabella Joseph <jisabella@vinelandcity.org>  
**Cc:** Miller John <jmiller@vinelandcity.org>; Mongeluzzo Albert <amongeluzzo@vinelandcity.org>  
**Subject:** SJG Pipeline Agreement Addendum for HMD Unit 11

John/Joe,

Please see attached SJG transportation contract addendum for Unit 11. We will need 3 original signed copies to submit to SJG prior to 6/1/2017. Two of those copies will be signed and returned to the City for our records. Additionally, I've attached a justification document describing why this path forward is in the best interest of the City. Please note that starting June 1<sup>st</sup> 2017 our total yearly amount due to SJG, including this volume increase, will drop from \$1,078,560 to \$900,000. Please contact either John Miller or myself with any questions/concerns.

Best Regards,  
Steve

### *Steven M. August*

Principal Engineer  
Vineland Municipal Electric Utility  
Engineering Division  
211 N. West Avenue  
P.O. Box 1508  
Vineland, NJ 08360  
[saugust@vinelandcity.org](mailto:saugust@vinelandcity.org)  
Phone – (856) 794-4000 ext.4241

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**From:** Valora, Sam [<mailto:SVALORA@sjindustries.com>]  
**Sent:** Thursday, April 20, 2017 12:18 PM  
**To:** August Steven; Miller John  
**Subject:** VMEU Howard M. Down Generating Station Unit #11

Gentlemen:

It was a pleasure meet with you yesterday to discuss the gas requirements for the Howard M. Down Generating Station. As we discussed, I have updated and attached a copy of the Addendum for the Unit #11 contract increase. The original service volumes within the agreement that commenced on June 1, 2012 provided 12, 840 MCFD of firm service. This Addendum will reflect the increase of firm volumes to 15,000 MCFD, effective June 1, 2017. Upon receipt, please make two copies of this Addendum for the Mayor to execute and return both to my attention. An original Addendum will be returned to you when it is fully executed by South Jersey Gas.

Sam

Samuel J. Valora  
Program Manager,  
Major Accounts  
South Jersey Gas  
640 S White Horse Pike  
Hammonton, NJ 08037  
Phone 609-561-9000 ext. 4298  
Cell 609-335-6278  
[svalora@sjindustries.com](mailto:svalora@sjindustries.com)

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## HMD Unit 11 SJG Pipeline Agreement - Addendum 6/1/2017

Beginning June 1<sup>st</sup> 2017, the SJG contract price structure drops down to the next payment tier, bringing our annual cost from \$1,078,560 to \$770,400. This addendum, which brings the daily Unit 11 natural gas allotment from 12,840 Mcf to 15,000 Mcf, will cost an additional \$129,600 per year. Therefore, the net annual cost to the City will be \$900,000 which is still a savings of \$178,560 per year.

Without this addendum, our current agreement does not allow for a full 24 hours of unit operation. The new PJM Capacity Performance criteria requires a planned 100% availability, and carries potential fines upwards of a million dollars for only a few hours of unplanned outage. The only other way that Unit 11 can comply with the new PJM regulations is to burn ULSD as a back-up fuel source. Unfortunately, burning ULSD is more costly, less reliable, and yields a lower MW output than natural gas. Furthermore, ULSD creates additional site safety and environmental hazards.

This being said, it is clear that moving forward with the proposed SJG pipeline agreement addendum is the safest and most cost effective option for the City at this time.

## **Standard Gas Service Agreement (EGS) Addendum**

THIS ADDENDUM entered into this 20th day of April, 2017 by and between South Jersey Gas Company, a New Jersey corporation, hereinafter referred to as "Seller" or "Company," and The City of Vineland, New Jersey, hereinafter referred to as "Buyer," modifies and amends the Standard Gas Service Agreement (EGS) ("Service Agreement") approved by the New Jersey Board of Public Utilities on October 13<sup>th</sup>, 2011. This Addendum and the Service Agreement are sometimes hereafter collectively referred to as the "Agreement".

### WITNESSETH:

WHEREAS, pursuant to the Service Agreement, Seller agreed to sell, and Buyer agreed to purchase, natural gas delivery service to the Vineland Municipal Electric Utility ("VMEU") Howard M. Down Generating Station Unit #11; and

WHEREAS, Buyer and Seller wish to amend and modify the Service Agreement as set forth herein; and

WHEREAS, Buyer and Seller wish to incorporate the terms of this Addendum into the Service Agreement; and

WHEREAS, Buyer and Seller agree that the terms of the Service Agreement will remain in full force and effect, except where amended or modified by this Addendum.

NOW, THEREFORE, Buyer and Seller, intending to be legally bound hereby, in consideration of the mutual promises and agreements contained herein, agree as follows:

1. Confidentiality:

(a) The terms of the Agreement and this Addendum concerning services volumes and charges for services shall be considered Confidential Information by Buyer and by Seller. Buyer and Seller agree to take all necessary and appropriate steps to keep confidential and protect the Confidential Information including; (i) restricting access to Confidential Information to those employee who have a "need to know" and requiring such employees to review the terms of this Confidentiality paragraph and to agree to abide by the terms of this Confidentiality paragraph and (ii) not disclosing or allowing access to such Confidential Information by any third party except as authorized by Buyer and Seller, in writing.

(b) The Confidential Information will lose its status as Confidential Information if: (i) it becomes generally available to the public other than through a breach of this Confidentiality paragraph or (ii) the disclosure of the Confidential Information is required by any law, or the order of any administrative agency or court having jurisdiction over the subject matter of the Agreement and this Addendum.

(c) Notwithstanding the foregoing, Confidential Information may be disclosed to the employees of the New Jersey Board of Public Utilities , or any successor agency thereto, and to the parties in any proceeding before the New Jersey Board of Public Utilities or any successor agency thereto, and if such disclosure is made, the parties shall use their best efforts to secure the execution of any appropriate Confidentiality Agreement, or the entry of the appropriate Protective Order, by which the person receiving the Confidential Information are bound. Seller and Buyer also agree that Seller may submit Confidential Information to the New Jersey Board of Public Utilities, and may request treatment of the Confidential Information as confidential pursuant to the Rules and Regulations of the New Jersey Board of Public Utilities.

2. Article VII Service Volumes: For services rendered to the Howard M. Down Generating Station Unit #11 under Rate Schedule Electric Generation Service- Large Volume (EGS-LV), the Firm Daily Contract Demand contained within Article VII Service Volumes, Section 2, Part a, will be increased to 15,000 Mcf per day, Effective June 1<sup>st</sup>, 2017.

3. Warranty of Authority: The individual executing this Agreement on behalf of the Seller, covenant and warrants that he or she has authority to execute this Agreement on behalf of the Seller, and to bind Seller. The individual executing this Agreement on behalf of Buyer represents covenants and warrants that he or she has authority to execute this Agreement on behalf of Buyer, and to bind Buyer.

IN WITNESS WHEREOF, the parties have duly executed this addendum as of the date first above written, which shall be its effective date.

**Seller:** SOUTH JERSEY GAS COMPANY

**Attest:**

\_\_\_\_\_

By:

\_\_\_\_\_  
David Robbins Jr.  
President

**Attest:**

\_\_\_\_\_

**Buyer:** THE CITY OF VINELAND NEW JERSEY

By:

\_\_\_\_\_  
Anthony Fanucci  
Mayor