Ana J. Murteira
Senior Counsel

Law Department
PSEG Services Corporation
80 Park Plaza – T5
Newark, NJ 07102-4194
T: 973-430-6131, F: 973-430-5983
Email: ana.murteira@pseg.com

June 13, 2019

VIA ELECTRONIC & OVERNIGHT MAIL

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th floor
Post Office Box 350
Trenton, NJ 08625-0350

Re: Petition for Approval of a Third Amendment to Lease Agreement Public Service Electric and Gas Company Third Amendment to Lease Agreement to Kinder Morgan Liquids Terminals LLC

Dear Secretary Camacho-Welsh:

Enclosed herein please find one (1) original and two (2) copies of the following on behalf of Public Service Electric and Gas Company in connection with the above referenced matter:

1. Petition for Approval of a Third Amendment to Lease Agreement to operate and transport light oils through a wholly-owned PSE&G twelve-inch steel pipeline in the Cities of Carteret & Linden, County of Union, to Kinder Morgan Liquids Terminals LLC for the sum of $366,180 per year; and

2. Affidavit of Roger J. Trudeau in support of Petition for Approval.

If you have any questions or need additional information, please contact me.

Respectfully submitted,

Ana J. Murteira

AJM/lw
Enclosure
cc: Stefanie A. Brand, Director, NJ Division of Rate Counsel,
Stacy Peterson, Director, Division of Energy, NJ Board of Public Utilities

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

Petition of Public Service	**)**	
Electric and Gas Company	**)**	
(PSE&G) For Approval of a Third	**)**	**Petition for Approval**
Amendment of Lease Agreement	**)**	
To Operate and Transport Light Oils	**)**	
Through a Wholly-Owned PSE&G	**)**	**Docket No.**
Twelve-Inch Steel Pipeline in the Cities	**)**	
of Carteret and Linden, County of Union,	**)**	
to Kinder Morgan Liquids Terminals	**)**	
LLC for the Sum of $366,180 per year	**)**	

To the Honorable
Board of Public Utilities:

Public Service Electric and Gas Company, a New Jersey corporation having its principal and executive offices at 80 Park Plaza, Newark, New Jersey, 07102, is a public utility subject to the jurisdiction of your Honorable Board and files this petition pursuant to N.J.A.C. 14:1-5.6 for approval of a Third Amendment of Lease Agreement to operate and transport light oils through a wholly-owned PSE&G twelve-inch steel pipeline (the "Pipeline") and associated right-of-way in the Township of Carteret in the County of Middlesex and the City of Linden in the County of Union (the "Leased Premises") to Kinder Morgan Liquid Terminals LLC ("Kinder Morgan") and:

1. The Pipeline was acquired by PSE&G in 1975 and was used to transport naphtha, a petroleum product. The right-of-way is occupied by PSE&G via easement. The Pipeline was retired by PSE&G in 1989 and the Leased Premises have been leased to Kinder Morgan, as successor-in-interest to GATX Terminals Corporation pursuant to a Lease approved by the Board on July 19, 1994 under Docket No. GM93120531 (the "Original Lease") which is attached as Exhibit A to the Affidavit of Roger J. Trudeau ("the Trudeau Affidavit"), said Affidavit attached hereto as Exhibit A. Thereafter, the Lease was amended by that certain First Amendment of Lease dated December 28, 2010 and approved by the Board by Order dated November 30, 2011, a copy of which is attached to the Trudeau Affidavit as Exhibit B. The Lease was further amended by that certain Second Amendment of Lease dated October 24, 2013 and approved by BPU order dated March 18, 2015, a copy of which is attached to the Trudeau Affidavit as Exhibit C.

2. Pursuant to the Third Amendment to Lease, the annual rental amount is $366,180.00.

3. The key terms of the Third Amendment to Lease are as follows:

   a. PSE&G has structured the Third Amendment to Lease as a one (1) year extension, with two (2) options to renew for one year per option term. This is due to the fact that Kinder Morgan was unsure of its future business plans and would only agree to commit to a one (1) year extension at this time. A copy of the Third Amendment is attached to Trudeau Affidavit as Exhibit D.

   b. PSE&G renegotiated the rental amount as an annual increase to the current rental amount. Under the terms of the Amended Lease Agreement, Kinder Morgan will pay PSE&G an annual rental amount of $366,180.00 with a 2% increase in the rental each year of the two (2) one year options. Attached as Exhibit E to the Trudeau Affidavit is a true and correct appraisal prepared by Nationwide Consulting Company, Inc., dated September 13, 2018 showing the fair market annual rental value for the Leased Premises to be $359,000.00 (shown as Segment 2). The rental amount exceeds the fair market rental value as set forth in the appraisal.

4. The Third Amendment to Lease Agreement will not compromise PSE&G's ability to provide safe, adequate and reliable service as the pipeline it has not been used and useful to PSE&G since 1989 and has been leased to Kinder Morgan since 1994.

5. Petitioner respectfully requests the Board to grant a waiver of the requirement to advertise this property pursuant to N.J.A.C. 14:1-5.6 (i)7 due to the following:

   a. the waiver shall not adversely affect the public interest because PSE&G is seeking to amend an currently existing lease;

   b. the subject property is no longer used and useful for utility purposes;

   c. there is no prospective use of the Leased Premises for utility purposes other than the prospective tenant because the Leased Premises are currently being used by the prospective tenant and have been since 1994;

   d. the rental price exceeds the fair market value;

   e. there is no relationship between Kinder Morgan and PSE&G other than landlord and tenant;

   f. the Leased Premises are unique and there are limited use for the Leased Premises given the use of the Leased Premises since 1994;

g. advertising and bidding will likely not result in a higher rental price;

h. there are a very limited number of users who could likely use the Leased Premises for its intended purpose;

6. Correspondence or communications with respect to the petition may be addressed to:

Ana J. Murteira
Senior Counsel
Public Service Electric and Gas Company
80 Park Plaza, T5
Newark, New Jersey 07102
973-430-6131
Ana.Murteira@pseg.com

Respectfully submitted,

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

By:______________________________
Ana J. Murteira
Senior Counsel

Dated: June 7, 2019
Newark, New Jersey

EXHIBIT A TO PETITION

THE AFFIDAVIT OF ROGER J. TRUDEAU

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

Petition of Public Service) **Electric and Gas Company)** **(PSE&G) For Approval of a Third)** **Amendment of Lease Agreement)** **To Operate and Transport Light Oils)** **Through a Wholly-Owned PSE&G)** **Twelve-Inch Steel Pipeline in the Cities)** **of Carteret and Linden, County of Union,)** **to Kinder Morgan Liquids Terminals)** **LLC for the Sum of $366,180.00per year)**	**Affidavit of Roger J. Trudeau** **in Support of** **Petition for Approval** **Docket No.**

STATE OF NEW JERSEY)
) SS:
COUNTY OF ESSEX)

I, Roger J. Trudeau of full age, being duly sworn according to law, deposes as follows:

1. I am employed as the Manager-Corporate Real Estate Transactions for PSEG Services Corporation agent for Public Service Electric and Gas Company ("PSE&G").

2. I make this Affidavit in support of the PSE&G's Petition for approval of the Third Amendment to Lease Agreement with Kinder Morgan Liquid Terminals LLC.

3. The Original Lease was approved by the Board on July 14, 1994 (the "Original Lease"). The First Amendment to Lease was approved by the Board on November 30, 2011. The Second Amendment to Lease was approved by the Board on March 18, 2015.

4. Attached as Exhibit A is a true and correct copy of the Original Lease.

5. Attached as Exhibit B is a true and correct copy of the First Amendment to Lease.

6. Attached as Exhibit C is a true and correct copy of the Second Amendment to the Lease.

7. Attached as Exhibit D is a true and correct copy of the Third Amendment to Lease. PSE&G has structured the Third Amendment to Lease as a one (1) year extension, with two (2) options to renew for one year per option term. This is due to the fact that Kinder Morgan was unsure of its future business plans and would only agree to commit to a one (1) year extension at this time.

8. Attached as Exhibit E is an appraisal dated September 13, 2018 prepared by Nationwide Consulting Company, Inc. The appraisal values three (3) separate segments of the pipeline, however, PSE&G is only proposing to Lease the second segment to Kinder Morgan.

Roger J. Trudeau

Dated:

Sworn to and subscribed
before me this 7th day
of June, 2019

A Notary Public of New Jersey

MICHELE OFSAK
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 3/29/2021

EXHIBIT A

TO TRUDEAU AFFIDAVIT

PIPELINE LEASE AGREEMENT
BETWEEN
PUBLIC SERVICE ELECTRIC AND GAS COMPANY
AND
GATX TERMINALS CORPORATION

PIPELINE LEASE AGREEMENT dated August 23, 1993 (hereinafter called "Agreement" or "Lease Agreement") between **PUBLIC SERVICE ELECTRIC AND GAS COMPANY**, a New Jersey public utility corporation having its principal office at 80 Park Plaza, Newark, New Jersey 07101 ("PSE&G") and **GATX TERMINALS CORPORATION**, a Delaware Corporation having its principal office at 120 South Riverside Plaza, Chicago, Illinois 60606 ("GATX").

WITNESSETH

WHEREAS, PSE&G wholly owns a 12-inch diameter pipeline and related equipment for the transportation of bulk liquid hydrocarbon products between the GATX Terminal in Carteret, New Jersey and the existing PSE&G facilities in Linden, New Jersey which pipeline is not presently required by PSE&G for its utility operations, and

WHEREAS, GATX desires to lease a portion of the aforesaid 12-inch diameter pipeline owned by PSE&G for the transportation of bulk liquid hydrocarbon products stored by the GATX Terminal in Carteret, New Jersey, and

WHEREAS, GATX more particularly desires to utilize a portion of the aforesaid PSE&G 12-inch diameter pipeline to connect the GATX Terminal in Carteret, New Jersey with the Sun Pipeline Company located in Linden, New Jersey;

WHEREAS, PSE&G, in so far as it has the right so to do, hereby leases said portion of the aforesaid 12-inch diameter pipeline for the transportation of bulk liquid hydrocarbon products and to grant the right to utilize a portion of the aforesaid pipeline;

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants herein contained, PSE&G and GATX hereby agree as follows:

1. Pipeline Facilities Definitions. The aforesaid 12-inch diameter pipeline owned by PSE&G connects the GATX Terminal in Carteret, New Jersey with existing PSE&G facilities and the former EXXON Refinery in Linden, New Jersey as shown on the attached map (See Attachment A) which is incorporated into and made a part of this Lease Agreement. The portion of the 12-inch diameter PSE&G pipeline leased by GATX pursuant to this Lease Agreement is also shown and designated on the foresaid map attached hereto and made a part hereof ("Leased Pipeline"). The section of 12" pipeline to the former EXXON Refinery on the west side of the New Jersey Turnpike is physically separated from the pipeline on the east side of the New Jersey Turnpike at Wood Avenue and is part of this Lease Agreement. However, the connection of the two sections of pipeline and testing for the integrity of the section of

pipeline to the former Exxon Refinery is not part of this agreement and shall be subject to a separate agreement when and if the section of pipeline is required for use by GATX.

2. (a) **Pipeline Charges:**

(i) Annual Lease Amount - GATX shall pay PSE&G a base annual lease amount of $279,000.00 for each of the years of the fifteen-year lease term, payable in monthly installments of $23,250.00, on the 1st of each month. This Annual Lease Amount includes taxes and insurance costs and shall commence upon GATX's written acceptance of the Leased Pipeline. The Annual Lease Amount shall be adjusted on an annual basis depending on the number of barrels of product passed through the pipeline during that year. If the throughput is less than 12 million barrels in a given year the adjustment to the base annual lease rate shall be zero (0) dollars. For annual volumes exceeding 12 million barrels the annual base lease rate of $279,000 shall be incrementally increased as outlined in the table below.

ANNUAL VOLUME	INCREMENTAL RATE PER BARREL
12 TO 20 MILLION BARRELS	$0.007 PER BARREL
20 MILLION PLUS BARRELS	$0.005 PER BARREL

Example: Assume annual volume of product is 30 million barrels. The calculation of the increase to the base annual lease rate is -

20,000,000 - 12,000,000 = 8,000,000 X $0.007 = $ 56,000
30,000,000 - 20,000,000 = 10,000,000 X $0.005 = $ 50,000
Total annual incremental adjustment = $106,000

Total annual lease adjusted to - $279,000 + $106,000 = $385,000

GATX agrees to pay PSE&G the annual adjustment charges within thirty (30) days of the close of the annual lease date. GATX shall submit an annual accounting of the product volume pumped annually through the pipeline, including any year when the volume is below 12 million barrels and no adjustment to the base lease rate is required.

For years following the first five years of the fifteen-year lease term, the Annual Lease Amount shall be adjusted on an annual basis to account for changes in applicable taxes and/or insurance premiums.

(ii) <u>Annual Inspection and Maintenance Costs</u>

GATX shall pay PSE&G an annual inspection and maintenance fee in advance for each contract year of the lease term. For the first contract year, such payment shall be in the amount of $12,000.00. Both parties recognize that said $12,000.00 is an estimate that was developed to establish a cost for the first contract year. At the end of the first contract year and the end of each subsequent contract year, the actual costs for inspection and maintenance for the contract year will be used to estimate the charge for the next contract year. GATX agrees to pay PSE&G for all appropriate billing preparation and handling costs. PSE&G shall bill GATX annually using PSE&G's standard **Work Done At Expense Of Others** format. Any adjustment between the actual and estimated costs will be made **by PSE&G** at the end of the contract year, if required. The parties agree to negotiate in good faith to determine a charge that is acceptable to each party. The parties shall confirm such acceptance in writing. Both PSE&G and GATX may, at their own expense have any and all charges reviewed by their internal auditor and a mutually agreeable independent auditor.

GATX agrees to pay PSE&G the annual charges within sixty (60) days of receipt of an invoice. All payments and notices hereunder shall be made to PSE&G at its principal office,.

Monthly and Annual payments are to be mailed to:

Public Service Electric & Gas Company
Treasures Department
P. O. Box 330
Newark, New Jersey - 07101

The amount of any invoice, if not paid sixty (60) days after receipt by GATX, shall bear interest at the rate of one percent(1%) per month for each month or portion of a month thereafter during which such amount remains unpaid.

Listed below are several of the routine inspections and maintenance procedures the cost of which shall be included in the actual annual charges for the year that the service is provided to GATX:

1. Exposed pipe painted every 3-5 years depending on field conditions.

2. Above ground close interval pipe-to-soil survey conducted every five years.

3. Bi-Monthly visual and cathodic protection inspection of the pipeline.

4. Response to all third party inspection and location requests.

If PSE&G is advised, made aware of or observes third parties, PSE&G shall notify GATX of all third parties working or intent to work within five feet of the leased pipeline. PSE&G, when notified, shall provide on site inspection while work is being performed by the third party and shall include all costs in the annual inspection and maintenance billing.

(b) Hydrostatic Pressure Test of Pipeline

GATX required that the pipeline be hydrostatically tested for a 12 hour period at 1.5 times the maximum allowed operating pressure of 350 PSI prior to GATX accepting the pipeline.

The Hydrostatic Pressure test is being conducted under the terms of a separate letter of agreement, dated Feb. 19, 1993, copy attached (See Attachment B). This lease agreement is contingent on the satisfactory completion of the hydrostatic pressure test and subsequent approval of the NJBRC as detailed in that letter of agreement.

(c) Capital Improvements (Preliminary Engineering Estimates Shown)

(i) **Repair Existing Cathodic Protection**

Involves clearing existing contacts on the pipeline and conducting an electrical above ground survey to assure adequate cathodic protection.

(ii) **Install New 12" Connection Valve for the Sun Pipeline Connection and Install New 12" Automatic Isolation/Segregation Valve**

For the above mentioned capital improvements, an estimate with an accuracy of 10% must be prepared and agreed to by GATX prior to work being performed. GATX will reimburse PSE&G for actual costs in a lump sum upon completion of projects.

3. **Compliance with Federal Regulations** PSE&G warrants that the Leased Pipeline will be in compliance with applicable provisions of United States Department of Transportation Office of Pipeline Safety ("DOT") regulations at the time that the Leased Pipeline is first made available to GATX. The actual cost of any modifications made by PSE&G to the Leased Pipeline, which are documented in [2. (c) (i) and (ii)] above, shall be assumed by GATX. The cost of any future modifications made by PSE&G to maintain the Leased Pipeline or to comply with new **government** regulations will be borne by GATX; provided, however, prior to incurring any costs for maintenance or regulatory compliance, PSE&G must notify GATX, in writing of the costs. GATX must elect to pay the increased costs or terminate this Lease Agreement; provided, however, GATX must notify PSE&G of its election within thirty (30) days following written notice of increased costs.

GATX is solely responsible for the preparation and submission of the " Response Plans for Onshore Oil Pipelines" as required in the DOT 49 CFR Part 194 regulations.

4. **Liability Indemnification** GATX agrees to indemnify, hold harmless and defend PSE&G, its employees and officers, from and against any and all claims, suits, judgments, damages, losses, assessments, environmental liabilities of any kind, including costs of remediation, fines and assessments, added taxes or other liability of any nature (all hereinafter called "Liabilities") when and to the extent arising out of negligence in the use and operation of the Leased Pipeline by GATX, its employees, agents or contractors. PSE&G, subject to the terms of the following paragraph, agrees to indemnify, hold harmless and defend GATX, its employees and officers from and against any and all Liabilities ,excluding environmental liabilities of any kind such as, but not limited to, costs of remediation and fines or assessments related to any environmental liability, when and to the extent that such Liabilities relate to the Pipeline facilities and arise out of the negligence of PSE&G, its employees, agents or contractors in the maintenance of the Leased Pipeline by PSE&G, its employees, agents or contractors. In the event that any Liabilities, excluding environmental liabilities of any kind such as, but not limited to, costs of remediation and fines or assessments related to any environmental liability, are caused in whole or in part by the concurrent negligence of GATX, its employees, agents or contractors in the use and operation of the Leased Pipeline and of PSE&G, its employees, agents or contractors in the maintenance of the Leased Pipeline, then this obligation to indemnify shall be comparative and each party shall indemnify the other to the extent such parties' negligence was the cause of said Liabilities.

Anything in the above paragraph to the contrary notwithstanding, GATX shall be fully and solely responsible for any and all bulk liquid hydrocarbon product transported through the leased pipeline during the term of this Lease Agreement. As provided in paragraph 12., Leak Response Or Damage, GATX shall be solely responsible for any and all cleanup of pipeline product that may be spilled or that may leak from the pipeline, regardless of cause, and shall be responsible for any and all Liabilities, including environmental, resulting from such spill or leakage and shall indemnify, hold harmless and defend PSE&G, its employees and officers, from and against any and all claims, suits, judgments, damages, losses, assessments, environmental liabilities of any kind, costs of environmental remediation, fines and assessments, added taxes or other liability of any nature caused by or resulting from the leakage or spill of pipeline product. The provisions of this Section 4. shall survive the expiration or earlier termination of this Lease Agreement.

5. **Delivery of Product for PSE&G.** Upon ninety (90) days prior written request by PSE&G, GATX shall use the Leased Pipeline for the transportation of liquid hydrocarbon products from the GATX Terminal in Carteret, New Jersey to the PSE&G Linden Generation Station in Linden, New Jersey. Such use of the Leased Pipeline shall be for a period not to exceed three (3) days and shall not occur more frequently than once every thirty (30) days. GATX reserves the right to schedule pipeline movements in consideration of their other customer's activity. The products moved for PSE&G under the terms of this paragraph must be compatible with products shipped in the Leased Pipeline by GATX. Delivery of Product by

GATX for PSE&G will be at charges agreed to by GATX and the applicable PSE&G department.

6. <u>Connection to Sun Pipeline Company.</u> PSE&G shall, at GATX's sole expense, install branch and isolation valve(s) necessary to connect the Leased Pipeline to the Sun Pipeline Company in Linden, New Jersey. Such costs are identified in [2. (c) (ii)] above. Said interconnection facilities shall be owned by PSE&G and turned over to PSE&G at no cost at the end of the term of this Lease Agreement. [The scope of this project needs to be further developed.]

7. <u>Term and Termination.</u> The term of this Lease Agreement shall commence upon GATX written acceptance of the Leased Pipeline and shall continue in effect for a period of **fifteen (15)** years, provided however, that either party may terminate this Agreement at the end of the **fifteen (15) year term** or at the end of any subsequent extension by notifying the other party, in writing, at least two (2) years prior to the intended termination date.

Notwithstanding the foregoing, either party may terminate this Lease Agreement by written notice to the other party if such party discovers and notifies the other party, in writing, that such other party has committed a material breach of any of its obligations hereunder and if such other party has not made a good faith, reasonable effort to remedy such breach within sixty (60) days after such written notice thereof.

Notwithstanding the foregoing, GATX can terminate this Lease agreement for any reason by written notice to PSE&G six (6) months prior to the date of termination.

At the end of the term of this Lease Agreement or upon earlier termination as provided in this section, as applicable, GATX shall surrender the Leased Pipeline to PSE&G in as good a state and condition as it was at the start of the lease term, reasonable use and wear excepted. Provided, however, GATX shall have no responsibility for wear and tear resulting from inadequate inspection and maintenance or shipment of products by PSE&G in the Leased Pipeline. GATX shall purge the Leased Pipeline of GATX hydrocarbon product and fill same with nitrogen prior to surrendering the Leased Pipeline to PSE&G.

Any termination of this Lease Agreement is currently not a triggering event under the New Jersey Environmental Cleanup Act ("ECRA"). Should any change in ECRA or any successor law or regulation have the effect of making such termination an ECRA triggering event or have an equivalent effect, then the parties will modify this Lease Agreement or terminate this Agreement if modification does not prevent the application of ECRA or any successor law or regulation.

8. <u>Ingress and Egress</u> PSE&G hereby agrees that it will not impede the ability of representatives of GATX to have the unlimited right of ingress and egress at any and all times to the Leased Pipeline.

9. **Quiet Enjoyment** PSE&G warrants that it is either the fee or easement owner of the parcel or that it has secured rights from such owners which allow PSE&G to lease the pipeline to GATX without disruption resulting from adverse ownership claims of other parties.

10. **Relocation Cost** If, during the term of this lease, the Leased Pipeline must be relocated, PSE&G shall pay all reasonable costs of relocation, unless such relocation is requested by GATX or required to comply with applicable regulations as a result of GATX's use and operation of the Leased Pipeline.

    However, PSE&G reserves the right to review engineered cost estimates of major relocation(s) and/or replacement section(s) and to negotiate with GATX an acceptable percentage split of costs. If either GATX or PSE&G determines that the relocation costs that it will bear are prohibitive, this Lease Agreement shall be terminated with appropriate written notification.

11. **Insurance** GATX agrees to provide the insurance coverage set forth in Exhibit A, which is incorporated into and made a part of this Lease Agreement.

12. **Leak Response or Damage**. GATX is responsible for conducting all required leakage surveys and establishing a emergency leak and/or damage response procedure to meet Federal and State regulations. PSE&G shall, as part of its routine inspection or response to third party damage, notify GATX of all leaks and/or damages to the pipeline. GATX shall be responsible for notifying the proper authorities, isolating the leak and for all cleanup of pipeline product at the leak site.

    PSE&G agrees to repair the pipeline after GATX has cleaned up any leakage at the damage site and shall bill the third party who caused the damage to the pipeline.

    If the leased pipeline is damaged by a third party or PSE&G and the repair will take longer than two weeks, the Annual Lease Amount will be prorated to account for lost time of service. This abatement shall continue so long as the Leased Pipeline remains out of service. PSE&G agrees to make every reasonable effort to repair the pipeline promptly. If and to the extent that the damage is caused by GATX's negligence or due to its operations, GATX shall pay for all repair costs.

    In the event that the damage to the pipeline is so extensive as to prohibit repair at reasonable costs, PSE&G may **NOT** be interested in repairing the pipeline. PSE&G reserves the right to negotiate repair costs with GATX and to terminate the Lease agreement if costs to PSE&G are prohibitive.

13. **Agreement Contingency** This lease agreement is contingent upon PSE&G obtaining all necessary governmental and agency approvals for the lease of said pipeline. If PSE&G is unable to obtain its right from governmental authorities, PSE&G shall immediately terminate this agreement by written notice to GATX.

14. **Assignment.** This Lease Agreement shall be binding upon, and inure to the benefit of, the successors and assigns of the respective parties. Notwithstanding the foregoing, this Lease Agreement shall not be assigned, whether by operation of law or otherwise, by GATX without the prior written consent of PSE&G except to a person controlling, controlled by or under common control with GATX. Any assignment by GATX shall not relieve GATX of its obligations hereunder.

15. **Notices** Any notice or demand in respect of this Lease Agreement shall be made in writing and shall be deemed to have been validly delivered if delivered personally **with signed receipt** or sent by overnight express, certified or registered mail, postage prepaid, to the addressee at the address shown below, or at such other address as the addressee may have furnished in writing to the other party.

PSE&G	**Senior Vice President - Gas** **Gas Business Unit** **80 Park Plaza, T25A** **Newark, New Jersey 07101**
GATX	**Sales Manager** **New York Harbor Operations** **78 Lafayette Street** **Carteret, New Jersey 07008**

16. **Scope of Agreement** This pipeline Lease Agreement covers only the use of a portion of the aforesaid PSE&G 12-inch diameter pipeline to connect the GATX Terminal in Carteret, New Jersey with the Sun Oil Pipeline located in Linden, New Jersey. The section of 12-inch diameter pipeline on the west side of the NJ Turnpike, from Wood Ave. north to the former EXXON Refinery, is also part of this Lease Agreement but will not be connected or placed in service as part of this Lease Agreement. In the event that GATX later desires to test and place in service the subject PSE&G 12-inch diameter pipeline by connecting the two sections of pipeline and/or interconnect GATX's facilities with those of any other third party, such testing and connection and/or or interconnection shall be the subject of a separate agreement or, alternatively, an addendum or amendment to this Pipeline Lease Agreement.

17. **Governing Law** This Lease Agreement shall be governed by, and construed in accordance with, the laws of the State of New Jersey.

18. **Ownership of Pipeline** In the event that PSE&G determines during the term of this Lease Agreement that it desires to sell the Leased Pipeline, GATX shall have the right of first refusal to purchase the Leased Pipeline. Upon receipt of a bona fide offer ("Offer") from a third party for the Leased Pipeline, PSE&G shall notify ("Notification") GATX of the Offer and the terms and conditions contained in such Offer. PSE&G shall offer to sell the Leased Pipeline to GATX at the terms and conditions contained in such Offer. If GATX desires to exercise the right of first refusal and purchase the Leased Pipeline , then within thirty (30) business days of delivery of the Notification, GATX shall deliver notice to PSE&G of its

intention to exercise this right of first refusal and purchase the Leased Pipeline under terms and conditions contained in the Offer or different terms and conditions mutually agreeable to GATX and PSE&G. If GATX does not so notify PSE&G within the thirty (30) day period, then PSE&G shall be free to sell the Leased Pipeline to the third party making the Offer.

19. <u>Entire Agreement</u> This Lease Agreement constitutes the entire understanding between PSE&G and GATX with respect to the subject matter hereof and there are no understandings, representations or warranties of any kind except as expressly set forth herein.

IN WITNESS WHEREOF, PSE&G and GATX have caused this Lease Agreement to be duly executed as of the day and year first above written.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY,
By:

(SEAL)

Rudolph D. Stys

Rudolph D. Stys
Senior Vice President - Gas

ATTEST:

Linda J. Deciben

Assistant Secretary

GATX TERMINALS CORPORATION,
By:

(SEAL)

John M. Mackowiak

NAME: John M. Mackowiak
TITLE: Business Unit Manager/Vice President

ATTEST:

Marlana O. Wolf

ASSISTANT Corporate Secretary

STATE OF NEW JERSEY)
: SS
COUNTY OF ESSEX)

BE IT REMEMBERED, that on this 23 day of August, 1993, before me, the subscriber, a Notary Public of the State of New Jersey, personally appeared **RUDOLPH D. STYS**, who, I am satisfied is Senior Vice President-Gas of **PUBLIC SERVICE ELECTRIC AND GAS COMPANY,** the corporation named in and which executed the foregoing instrument, and is the person who signed said instrument for and on behalf of said corporation, and he acknowledged that the said instrument was made by said corporation and sealed with its corporate seal as the voluntary act and deed of said corporation.

Delores D. King

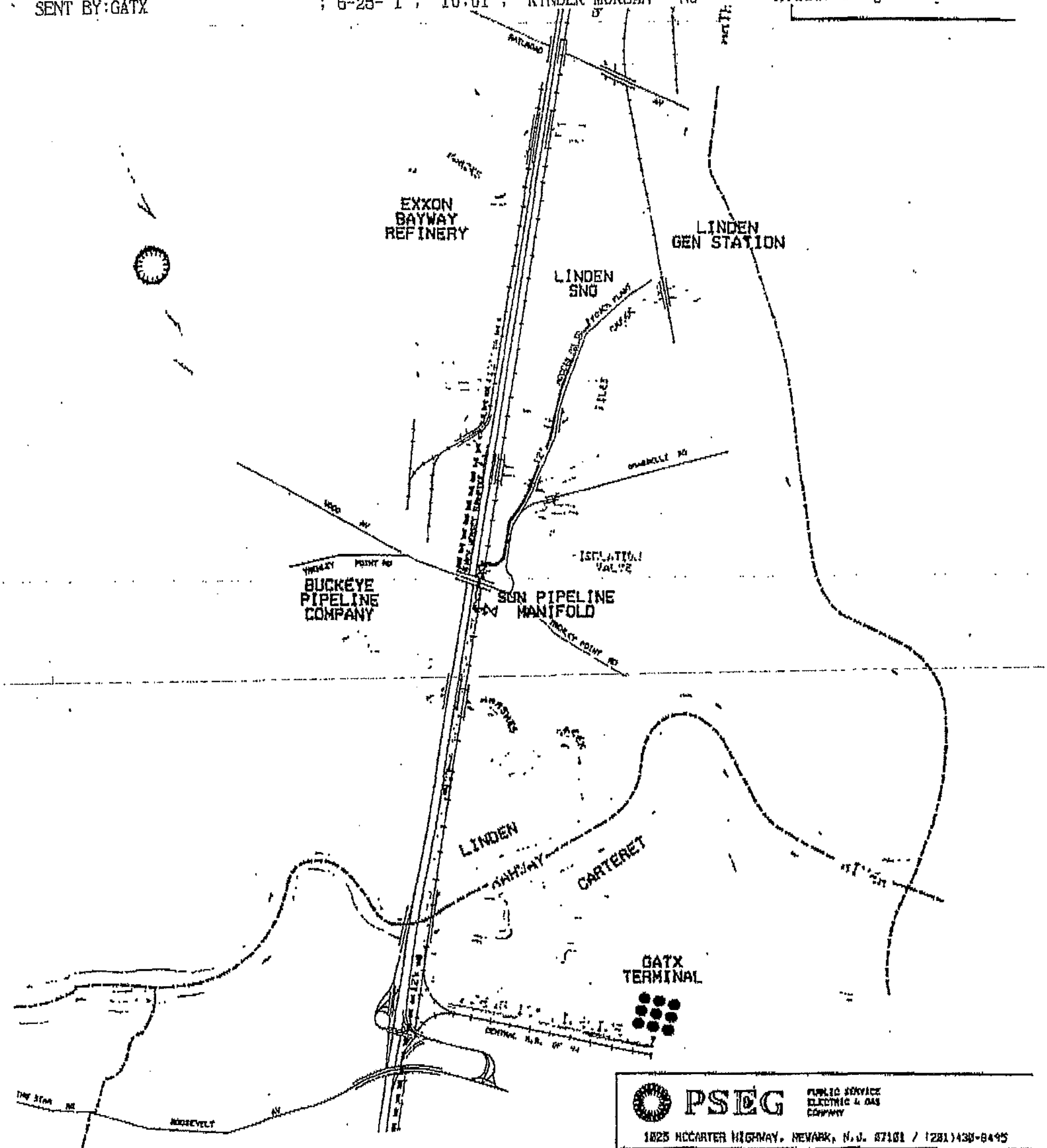
DELORES D. KING
Notary Public, State of New Jersey
No. 2079138
Qualified in Essex County
Commission Expires August 15, 1998

STATE OF New Jersey)
: SS
COUNTY OF Union)

BE IT REMEMBERED, that on this twelfth day of August, 1993, before me, the subscriber, a Notary Public of the State of New Jersey, personally appeared John M. Mackowiak, who, I am satisfied is V.P./General Manager of **GATX TERMINALS CORPORATION**, the corporation named in and which executed the foregoing instrument, and is the person who signed said instrument for and on behalf of said corporation, and he acknowledged that the said instrument was made by said corporation and sealed with its corporate seal as the voluntary act and deed of said corporation.

DANINE SCIRROTTO
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES FEB. 15, 1995

SENT BY:GATX ; 6-25- 1 ; 10:01 ; KINDER MORGAN - NJ→ Kinder Morgan;#26



PSEG PUBLIC SERVICE ELECTRIC & GAS COMPANY

1825 MCCARTER HIGHWAY, NEWARK, N.J. 07101 / (201)430-8495

SYSTEMS ENGINEERING AND TECHNICAL SUPPORT

GAS BUSINESS UNIT

PROPOSED LEASE OF 12" PIPELINE - GATX TERMINAL TO NORTH OF WOOD AVENUE, LINDEN

DRAWN BY LAP/MVI | DATE | AUTH

TO: J. Regep

FROM: J. McClenahan

SUBJECT: **ACCOUNTING FOR WORK PERFORMED ON THE GATX LINE**

DATE: August 23, 1994

As of this date please use the following accounting for your time and associated maintenance work performed on the proposed 12" Naptha Line to be leased to GATX:

Auth. C60920
Acct. G863.000
BPS S201

Closed

ATTACHMENT B.

PSEG

Public Service Electric and Gas Company 1025 McCarter Highway Newark, New Jersey 07102 (201) 430-7000

Systems Engineering & Technical Support

February 19, 1993

Kevin H. Golankiewicz, Sales Manager
New York Harbor Operations
GATX Terminals Corporation
II Executive Drive
Somerset, New Jersey 08873-4003

Re: Lease Agreement Between GATX and PSE&G
Hydrostatic Test of the Pipeline to be Leased

Dear Mr. Golankiewicz:

It appears that the Lease Agreement covering the lease by GATX of a PSE&G 12-inch diameter pipeline and related equipment for the transportation of bulk liquid hydrocarbon products between the GATX Terminal in Carteret, New Jersey and the Sun Oil Company pipeline in Linden, New Jersey, is very close to final form for execution. As I advised you on February 5, 1993, the subject lease of the currently unused PSE&G pipeline must be approved by the New Jersey Board of Regulatory Commissioners (BRC) before it can be implemented. PSE&G will be responsible for petitioning for and securing the necessary BRC approval. PSE&G cannot precisely estimate the time that will be required for the BRC's approval process, but agrees that it will undertake all reasonable steps to expedite such approval.

In order to expedite completing the subject lease arrangement, PSE&G proposes to conduct the hydrostatic pressure test on the pipeline and necessary minor repairs to the pipeline while BRC approval of the lease is pending. This would be done under the following conditions:

Hydrostatic Pressure Test of Pipeline

1. GATX requires that the pipeline be hydrostatic tested for a 12 hour period at 1.5 times the maximum allowed operating pressure of 350 PSI prior to GATX accepting the pipeline. Included in the estimate are the following items: install and remove dewatering pig traps, supplying the water, conducting the test and disposing of the water. GATX shall reimburse PSE&G for the actual cost incurred not to exceed $38,500.00.

2. In the event that the hydrostatic pressure test indicates section(s) of the pipeline require repair and/or replacement, GATX agrees to pay for minor repairs in an amount not to exceed $5,000.00. However, GATX reserves the right to review engineered cost estimates of major repair(s) and/or replacement section(s) and to negotiate with PSE&G an acceptable percentage split of costs. If either GATX or PSE&G determines that the upgrade costs that it will bear are prohibitive, this Agreement shall be terminated with appropriate written notification. If this Agreement is terminated by GATX due to excessive upgrade costs, GATX shall reimburse PSE&G one half (1/2) of all costs incurred by PSE&G to conduct the hydrostatic pressure test and make minor repairs. GATX agrees to be billed using PSE&G's standard Work Done AT Expense Of Others format.

3. In the event that GATX terminates this Agreement for reasons other than the costs associated with the hydrostatic pressure test and necessary repairs and/or upgrade of the pipeline, GATX agrees to reimburse PSE&G for all incurred costs.

4. The obligation of GATX to reimburse PSE&G actual costs incurred shall be conditioned upon receipt by PSE&G of approval of the lease arrangement by the BRC.

If GATX agrees with the above proposal, please sign in the space provided below and return one copy of this letter for PSE&G's files.

Very truly yours,

Henry F. Henderson

Henry F. Henderson,
Manager - Construction

Agreed to and Accepted
This 19TH day of February, 1993

GATX TERMINALS CORPORATION

By Joel M Mackowiak

Title VICE PRESIDENT - GENERAL MANAGER
NEW YORK HARBOR OPERATIONS

EXHIBIT A

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
GENERAL PROVISION FOR INSURANCE

1. PRIOR TO THE START OF ANY WORK GATX shall, at its own expense, procure and maintain during the period of this lease the following minimum insurance:

   A. Workers' Compensation Insurance in accordance with statutory requirements and Employer' Liability Insurance with a minimum limit of $500,000 each occurrence.

   JM KHJ Commerical
   B. ~~Comprehensive~~ General Liability Insurance including Premises, Contractual Liability, Products Liability, Completed Operations, Independent Contractors, Property Damage and coverage for damage caused by explosion, collapse or structural injury and damage to underground utilities with the following minimum limits of liability (inclusive of deductibles):

   Bodily Injury & Property Damage: $1,000,000 each occurrence

   JM KHd Commerical
   C. ~~Comprehensive~~ Automobile Liability Insurance including coverage for all owned, non owned and hired automobiles used by **GATX** in the performance of the **lease** with the following minimum limits of liability:

   Bodily Injury & Property Damage: $1,000,000 Combined Single Limit

   D. Excess Liability Insurance. Coverage in excess of B. and C. above:

   Bodily Injury: $5,000,000 each occurrence
   Property Damage: $5,000,000 each occurrence

   E. Pollution/Environmental Liability. (**sudden**) with limits of $6,000,000 per occurrence covering bodily injury and property damage.

2. All liability coverage shall name PSE&G as an additional Insured to support the contractual obligations assumed by **GATX** in acceptance of this contract and provide that this coverage is primary and without right of contribution from insurance carried by PSE&G.

3. Prior to the commencement of this Agreement, GATX will deliver to PSE&G a Certificate of Insurance evidencing this coverage is in effect and providing at least thirty (30) days notice to PSE&G of any cancellation, termination alteration of coverage's required under this agreement. The certificate will be submitted annually for at least two (2) years after completion of the work showing completed operations coverage is in effect.

4. GATX shall notify the Company's on-site representatives and the Claim Department immediately by telephoning (201) 430-7000 and in writing within 24 hours after the occurrence thereof, of all accidents arising from the Lease Agreement. Such notice shall not relieve either party of any of its obligations under this contract, nor be construed to be other than a mere notification.

5. In regard to claims made General Liability Policies: GATX must provide dates of coverage (including the retroactive date) and the time period within which any claim can be filed must be stated on the certificate of insurance, and GATX shall not permit any gaps in coverage to occur.

6. The insurance requirements as set forth above are to fully project Public Service Electric and Gas Company from any and all claims by third parties, including employees of GATX or its agents, subcontractors and invitees. Said insurance, however, is in no manner to relieve or release GATX, its agents, subcontractors and invitees from, or to limit their liability as to any and all obligations herein assumed.

TO: Roger M. Nelson

FROM: William A. Vogel, Jr.

SUBJECT: VALUATION OF PIPELINE - GATX

DATE: November 15, 1993

Attached is an estimate of pipe value for 15,350 feet of 12-inch pipe for transmission to General Solicitor.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Condensed pro forma journal entry to be made to record the annual rental income of the Pipeline Lease Agreement between Public Service Electric and Gas Company and GATX Terminals Corporation of a portion of the former NAPTHA Pipeline that runs between the GATX Terminal in Carteret, Middlesex County and the former Linden SNG Plant in Linden, Union County, in the State of New Jersey.

Account 131	Cash		$300,000.00	
Account G418.010	Non Operating Rental Income			$300,000.00

To record the annual rental income of the lease to GATX Terminals Corporation affecting personalty situate in the City of Linden, Union County and the Borough of Carteret, Middlesex County, in the State of New Jersey.

Federal income taxes applicable to the annual taxable income are estimated to be $105,000.

EXHIBIT B

TO TRUDEAU AFFIDAVIT

KJ

FIRST AMENDMENT TO PIPELINE LEASE AGREEMENT
BETWEEN
PUBLIC SERVICE ELECTRIC AND GAS COMPANY
AND
KINDER MORGAN LIQUIDS TERMINALS, LLC

FIRST AMENDMENT TO PIPELINE LEASE AGREEMENT dated this 28 day of December 2010 (hereinafter called "First Amendment" between **PUBLIC SERVICE ELECTRIC AND GAS COMPANY,** a New Jersey public utility corporation having its principal office at 80 Park Plaza, Newark, New Jersey 07101 ("PSE&G") and **KINDER MORGAN LIQUIDS TERMINALS,** a Delaware limited liability company having its principal office at 78 Lafayette Street, Carteret, NJ 07008 ("Kinder").

WITNESSETH

WHEREAS, PSE&G wholly owns a 12-inch diameter pipeline and related equipment (hereinafter "Pipeline") for the transportation of bulk liquid hydrocarbon products between the Kinder Terminal in Carteret, New Jersey and the existing PSE&G facilities in Linden, New Jersey which pipeline is not presently utilized by PSE&G for its utility operations;

WHEREAS, by agreement dated August 23, 1993 (hereinafter called "Lease Agreement") PSE&G leased a portion of the Pipeline to GATX Terminals Corporation for the transportation of bulk liquid hydrocarbon products between the Kinder Terminal in Carteret, New Jersey and the Sun Pipeline Company located in Linden, New Jersey;

WHEREAS, Kinder is the successor in interest in the Lease Agreement to GATX Terminals Corporation;

WHEREAS, the Lease Agreement will terminate on December 28, 2010; and

WHEREAS, Kinder and PSE&G desire to extend the Lease Agreement for three (3) additional years and modify certain portions of the Lease Agreement.

NOW, THEREFORE, in consideration of the promises and the mutual agreements and covenants herein contained, PSE&G and Kinder hereby agree as follows:

---

1. Term: The term of the Lease Agreement shall be extended to December 31, 2013 subject to receipt of the governmental approvals as set forth in Paragraph 7 and subject to termination as provided for in paragraph 7 herein.

2. Annual Rental Amount: Kinder shall pay PSE&G an annual rental to include throughput in the amount of Three Hundred Twenty Five Thousand Dollars and Zero Cents ($325,000.00) (the "Annual Rental"), payable in monthly installments of Twenty

Seven Thousand Eighty Three Dollars and Thirty Three Cents ($27,083.33), on the 1st of each month (the "Monthly Rent") beginning on January 1, 2011.

3. Inspection and Maintenance: Kinder shall take full responsibility for operating the Pipeline in a safe manner, including the adherence to a pipeline integrity plan for this particular pipeline, conformance with all requirements of jurisdictions regarding same, including, but not limited to actions required to protect the pipeline from interference or threats from third parties ("Markouts"). Kinder shall maintain an active and effective spill response plan, as required by governing authorities, especially in connection with pipelines crossing through wetlands. Kinder shall upon execution provide PSE&G with a copy of their Pipeline Integrity Plan, and copies of all tests, assessments and modifications to the pipeline made for purposes of maintaining the integrity of the pipeline for continued use as a transporter of hydrocarbon or other products, liquid or gaseous, under pressure. PSE&G requires copies of any and all regulatory inspections or audits of the pipeline integrity. As a courtesy, PSE&G will continue to take annual cathodic protection tests at test stations on the Pipeline and maintain the rectifier, however these test results will be given to Kinder for use in assessing the overall integrity of the line and for filing with their Pipeline Integrity Plan. Kinder will take all responsibility for proper markout of the line for excavators and observation of excavations by third parties that are adjacent to the Pipeline. In consideration of the increased responsibilities mentioned above, Kinder shall no longer pay PSE&G an annual inspection and maintenance fee.

4. Compliance with Federal Regulations: All costs of any future modifications to maintain the Pipeline in compliance with government regulations will be borne by Kinder. If required to make modifications in order to be in compliance with governmental regulations, Kinder must notify PSE&G in writing of its plans for the modifications or improvements or may elect to terminate the Lease Agreement within thirty (30) days following written notice of refusal to make the mandatory modifications. Kinder is solely responsible for the preparation and submission of the " Response Plans for Onshore Oil Pipelines" as required in the DOT 49 CFR Part 194 regulations.

5. Improvements and Relocations: Kinder will at their sole cost and expense, be allowed to make modifications to the Pipeline as needed for their operations, including relocating the Pipeline for operational or maintenance purposes or due to third party encroachment. All new sections of the Pipeline shall be of an acceptable design and standard of construction, including pressure testing, that is consistent or better with the rest of the existing Pipeline and that conforms to all applicable codes, standards and environmental practices standard to the industry. PSE&G shall have no obligation to relocate the Pipeline for any reason.

6. **Liability Indemnification:** Kinder agrees to indemnify, hold harmless and defend PSE&G, its employees and officers, from and against any and all claims, suits, judgments, damages, losses, assessments, environmental liabilities of any kind, including costs of remediation, fines and assessments, added taxes or other liability of any nature (all hereinafter called "Liabilities") arising out of or related to the use and operation of the Pipeline by Kinder, its employees, agents or contractors. This indemnification does not apply to any claims, losses, suits or damages caused by the sole negligence or willful misconduct of PSE&G, its employees, contractors or subcontractors. Anything in this paragraph to the contrary notwithstanding, Kinder shall be fully and solely responsible for any and all bulk liquid hydrocarbon product transported through the Pipeline during the term of the Lease Agreement or this First Amendment. As provided in paragraph 12., Leak Response Or Damage, of the Lease Agreement Kinder shall be solely responsible for any and all cleanup of pipeline product that may be spilled or that may leak from the pipeline, regardless of cause, and shall be responsible for any and all Liabilities, including environmental, resulting from such spill or leakage and shall indemnify, hold harmless and defend PSE&G, its employees and officers, from and against any and all claims, suits, judgments, damages, losses, assessments, environmental liabilities of any kind, costs of environmental remediation, fines and assessments, added taxes or other liability of any nature caused by or resulting from the leakage or spill of pipeline product. Kinder shall be responsible for all costs, scheduling, design and workmanship necessary for repair of damage to the pipeline to restore the line to full useful and code compliant use. The provisions of this Section 6 shall survive the expiration or earlier termination of this Lease Agreement.

7. **Approval and Termination:**

   a. This First Amendment shall be submitted by PSE&G to the New Jersey Board of Public Utilities (hereinafter "NJBPU") for approval pursuant to New Jersey law. If PSE&G is unable to obtain approval from the NJBPU, PSE&G shall immediately terminate the Lease Agreement by written notice to Kinder.

   b. This First Amendment and the Lease Agreement may be terminated for cause by either party, if, after providing the other party with written notice of default (the "Notice of Default"), the defaulting party does not correct such default within sixty (60) days of receipt of the Notice of Default, or such reasonable extension of time as necessary provided the defaulting party is in good faith proceeding to cure the default.

   c. At the end of the term of this First Amendment or upon earlier termination as provided in this section, as applicable, Kinder shall surrender the Pipeline to PSE&G in as good a state and condition as it was at the start of the lease term, reasonable use and wear excepted. Kinder shall purge and clean the Pipeline of Kinder hydrocarbon product and fill same with nitrogen prior to surrendering the Pipeline to PSE&G.

d. Should the termination of this First Amendment or the Lease Agreement trigger the provisions of the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. or any subsequent statute or regulation, Kinder will be fully responsible to comply with and satisfy any condition of the New Jersey Department of Environmental Protection. PSE&G shall have no further liability for any environmental conditions associated with the Pipeline.

Kinder can terminate this Lease agreement for any reason by written notice to PSE&G six (6) months prior to the date of termination.

8. Ingress and Egress: PSE&G hereby agrees that it will not impede the ability of representatives of Kinder to have the unlimited right of ingress and egress at any and all times to the Pipeline. PSE&G hereby grants Kinder a non-revocable Right of Entry to the Pipeline for a term simultaneous with this First Amendment. If this First Amendment or the Lease Agreement is terminated for any reason, Kinder's Right of Entry is also terminated.

9. Insurance: Kinder agrees to provide the insurance coverage set forth in Exhibit A, which is incorporated into and made a part of the Lease Agreement and this First Amendment.

10. Assignment: The Lease Agreement and this First Amendment shall be binding upon, and inure to the benefit of, the successors and assigns of the respective parties. Notwithstanding the foregoing, neither the Lease Agreement nor this First Amendment shall be assigned, whether by operation of law or otherwise, by Kinder without the prior written consent of PSE&G except to a person controlling, controlled by or under common control with Kinder. Any assignment by Kinder shall not relieve Kinder of its obligations hereunder.

11. ~~Notices: Any notice or demand in respect of the Lease Agreement or this First~~ Amendment shall be made in writing and shall be deemed to have been validly delivered if delivered personally with signed receipt or sent by overnight express, certified or registered mail, postage prepaid, to the addressee at the address shown below, or at such other address as the addressee may have furnished in writing to the other party.

~~PSE&G~~	~~Richard A. Franklin~~ Manager – Corporate Properties 80 Park Plaza Newark, NJ 07101
Kinder	Sales Manager Kinder Morgan Carteret 78 Lafayette Street Carteret, New Jersey 07008

12. **Scope of Agreement:** The Lease Agreement and this First Amendment covers only the use of a portion of the aforesaid PSE&G 12-inch diameter pipeline to connect the Kinder Terminal in Carteret, New Jersey with the Sun Oil Pipeline located in Linden, New Jersey.

13 **Remainder of Lease Agreement Remains in Full Force and Affect:** Except as specifically amended by the provisions of this First Amendment, all other provisions, terms and conditions of the Lease Agreement shall remain fully in force without modification except as modified herein.

14. **Entire Agreement:** The Lease Agreement and this First Amendment constitute the entire understanding between PSE&G and Kinder with respect to the subject matter hereof and there are no understandings, representations or warranties of any kind except as expressly set forth herein.

IN WITNESS WHEREOF, PSE&G and Kinder have caused this First Amendment to be duly executed as of the day and year first above written.

WITNESS

By: [signature]
Name: Kevin H. Golankiewicz
Title: General Manager - Northeast Region

KINDER MORGAN LIQUIDS TERMINALS, LLC

By: [signature]
Name: David Vattilio
Title: Vice President

WITNESS

By:
Name:
Title:

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
By: PSEG Services Corporation, Its Agent

By: [signature]
Name: Richard A. Franklin
Title Manager-Corporate Properties

EXHIBIT C

TO TRUDEAU AFFIDAVIT

SECOND AMENDMENT TO PIPELINE LEASE AGREEMENT
BETWEEN
PUBLIC SERVICE ELECTRIC AND GAS COMPANY
AND
KINDER MORGAN LIQUIDS TERMINALS, LLC

SECOND AMENDMENT TO PIPELINE LEASE AGREEMENT dated this 24 day of OCTOBER 2013 (hereinafter called "Second Amendment" between **PUBLIC SERVICE ELECTRIC AND GAS COMPANY,** a New Jersey public utility corporation having its principal office at 80 Park Plaza, Newark, New Jersey 07101 ("PSE&G") and **KINDER MORGAN LIQUIDS TERMINALS,** a Delaware limited liability company having its principal office at 78 Lafayette Street, Carteret, NJ 07008 ("Kinder").

WITNESSETH

WHEREAS, PSE&G wholly owns a 12-inch diameter pipeline and related equipment (hereinafter "Pipeline") for the transportation of bulk liquid hydrocarbon products between the Kinder Terminal in Carteret, New Jersey and the existing PSE&G facilities in Linden, New Jersey which pipeline is not presently utilized by PSE&G for its utility operations;

WHEREAS, by agreement dated August 23, 1993 (hereinafter called "Lease Agreement") PSE&G leased a portion of the Pipeline to GATX Terminals Corporation for the transportation of bulk liquid hydrocarbon products between the Kinder Terminal in Carteret, New Jersey and the Sun Pipeline Company located in Linden, New Jersey;

WHEREAS, Kinder is the successor in interest in the Lease Agreement to GATX Terminals Corporation;

WHEREAS, by agreement dated December 28, 2010 Kinder and PSE&G extended the Lease Agreement for three (3) additional years and modified certain portions of the Lease Agreement ("First Amendment");

WHEREAS, the First Amendment expires on December 31, 2013; and

WHEREAS, Kinder and PSE&G desire to extend the Lease Agreement for up to an additional five (5) years and modify certain portions of the Lease Agreement.

NOW, THEREFORE, in consideration of the promises and the mutual agreements and covenants herein contained, PSE&G and Kinder hereby agree as follows:

1. <u>**Term:**</u> The term of the Lease Agreement shall be extended to December 31, 2014 subject to receipt of the governmental approvals as set forth in Paragraph 7 and subject to termination as provided for in paragraph 7 herein.

2. **Annual Rental Amount:** Kinder shall pay PSE&G an annual rental to include throughput in the amount of Three Hundred Thirty One Thousand Five Hundred Dollars and Zero Cents ($331,500.00) (the "Annual Rental"), payable in monthly installments of Twenty Seven Thousand Eighty Three Dollars and Thirty Three Cents ($27,625.00), on the 1st of each month (the "Monthly Rent") beginning on January 1, 2014.

3. **Options to Extend:** Provided Kinder is not in default under the terms of the Lease Agreement or this Second Amendment, Kinder shall have the option to extend the term of the Lease Agreement for up to four (4) years in one (1) year increments. Kinder shall provide PSE&G written notice of Kinder's intent to extend the term of the Lease Agreement for an additional one (1) year term on or before September 30 of the then current lease year. Failure of Kinder to provide said notice in said time shall cause the Lease Agreement to terminate on December 31 of the then current lease year. In the event Kinder exercises its option(s) to extend the Lease Agreement the annual rent shall be increased by two percent (2%) over the then current lease year's annual rent. Said annual rental shall be paid in accordance with the terms of paragraph "2" above

4. **Right of First Refusal:** In the event PSE&G should receive a bona fides offer to sell the pipeline, PSE&G shall present the offer to Kinder. Kinder shall have sixty (60) days to notify PSE&G that is willing to purchase the pipeline for the same terms and conditions as presented in the bona fides offer. Should Kinder so accept, the parties shall enter into an agreement to effectuate the sale and purchase of the pipeline, subject to New Jersey Board of Public Utilities regulations.

5. **Inspection and Maintenance:** Kinder shall take full responsibility for operating, maintaining, repairing and replacing the Pipeline in a safe manner, including the adherence to a pipeline integrity plan for this particular pipeline, conformance with all requirements of jurisdictions regarding same, including, but not limited to actions required to protect the pipeline from interference or threats from third parties ("Markouts"). Kinder shall maintain an active and effective spill response plan, as required by governing authorities, especially in connection with pipelines crossing through wetlands. Kinder shall upon execution provide PSE&G with a copy of their Pipeline Integrity Plan, and copies of all tests, assessments and modifications to the pipeline made for purposes of maintaining the integrity of the pipeline for continued use as a transporter of hydrocarbon or other products, liquid or gaseous, under pressure. PSE&G requires copies of any and all regulatory inspections or audits of the pipeline integrity. Kinder Morgan is responsible for the testing and maintenance of cathodic protection on the leased pipeline for regulatory compliance. PSE&G shall operate and maintain the rectifier installation that provides cathodic protection to the leased pipeline. Kinder will take all responsibility for proper markout of the line for excavators and observation of excavations by third parties that are adjacent to the Pipeline. In consideration of the increased responsibilities mentioned above, Kinder shall no longer pay PSE&G an annual inspection and maintenance fee.

6. **Compliance with Federal Regulations:** All costs of any future modifications to maintain the Pipeline in compliance with government regulations will be borne by Kinder. If required to make modifications in order to be in compliance with governmental regulations, Kinder must notify PSE&G in writing of its plans for the modifications or improvements or may elect to terminate the Lease Agreement within thirty (30) days following written notice of refusal to make the mandatory modifications. Kinder is solely responsible for the preparation and submission of the "Response Plans for Onshore Oil Pipelines" as required in the DOT 49 CFR Part 194 regulations.

7. **Improvements and Relocations:** Kinder will at their sole cost and expense, be allowed to make modifications to the Pipeline as needed for their operations, including relocating the Pipeline for operational or maintenance purposes or due to third party encroachment. All new sections of the Pipeline shall be of an acceptable design and standard of construction, including pressure testing, that is consistent or better with the rest of the existing Pipeline and that conforms to all applicable codes, standards and environmental practices standard to the industry. PSE&G shall have no obligation to relocate the Pipeline for any reason.

8. **Liability Indemnification:** Kinder agrees to indemnify, hold harmless and defend PSE&G, its employees and officers, from and against any and all claims, suits, judgments, damages, losses, assessments, environmental liabilities of any kind, including costs of remediation, fines and assessments, added taxes or other liability of any nature (all hereinafter called "Liabilities") arising out of or related to the use and operation of the Pipeline by Kinder, its employees, agents or contractors. This indemnification does not apply to any claims, losses, suits or damages caused by the sole negligence or willful misconduct of PSE&G, its employees, contractors or subcontractors. Anything in this paragraph to the contrary notwithstanding, Kinder shall be fully and solely responsible for any and all bulk liquid hydrocarbon product transported through the Pipeline during the term of the Lease Agreement or this First Amendment. As provided in paragraph 12., Leak Response Or Damage, of the Lease Agreement Kinder shall be solely responsible for any and all cleanup of pipeline product that may be spilled or that may leak from the pipeline, regardless of cause, and shall be responsible for any and all Liabilities, including environmental, resulting from such spill or leakage and shall indemnify, hold harmless and defend PSE&G, its employees and officers, from and against any and all claims, suits, judgments, damages, losses, assessments, environmental liabilities of any kind, costs of environmental remediation, fines and assessments, added taxes or other liability of any nature caused by or resulting from the leakage or spill of pipeline product. Kinder shall be responsible for all costs, scheduling, design and workmanship necessary for repair of damage to the pipeline to restore the line to full useful and code compliant use. The provisions of this Section 8 shall survive the expiration or earlier termination of the Lease Agreement.

9. **Approval and Termination:**

a. This Second Amendment shall be submitted by PSE&G to the New Jersey Board of Public Utilities (hereinafter "NJBPU") for approval pursuant to New Jersey law. If PSE&G is unable to obtain approval from the NJBPU, PSE&G shall immediately terminate the Lease Agreement by written notice to Kinder.

b. This Second Amendment and the Lease Agreement may be terminated for cause by either party, if, after providing the other party with written notice of default (the "Notice of Default"), the defaulting party does not correct such default within sixty (60) days of receipt of the Notice of Default, or such reasonable extension of time as necessary provided the defaulting party is in good faith proceeding to cure the default.

c. At the end of the term of this Second Amendment, or any extension thereof or upon earlier termination as provided in this section, as applicable, Kinder shall surrender the Pipeline to PSE&G in as good a state and condition as it was at the start of the lease term, reasonable use and wear excepted. Kinder shall purge and clean the Pipeline of Kinder hydrocarbon product and fill same with nitrogen prior to surrendering the Pipeline to PSE&G.

d. Should the termination of this Second Amendment or the Lease Agreement trigger the provisions of the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. or any subsequent statute or regulation, Kinder will be fully responsible to comply with and satisfy any condition of the New Jersey Department of Environmental Protection. PSE&G shall have no further liability for any environmental conditions associated with the Pipeline.

Kinder can terminate the Lease Agreement for any reason by written notice to PSE&G three (3) months prior to the date of termination.

10. **Ingress and Egress:** PSE&G hereby agrees that it will not impede the ability of representatives of Kinder to have the unlimited right of ingress and egress at any and all times to the Pipeline. PSE&G hereby grants Kinder a non-revocable Right of Entry to the Pipeline for a term simultaneous with this First Amendment. If this Second Amendment or the Lease Agreement is terminated for any reason, Kinder's Right of Entry is also terminated.

11. **Insurance:** Kinder agrees to provide the insurance coverage set forth in Exhibit A, which is incorporated into and made a part of the Lease Agreement and this Second Amendment.

12. **Assignment:** The Lease Agreement and this Second Amendment shall be binding upon, and inure to the benefit of, the successors and assigns of the respective parties. Notwithstanding the foregoing, neither the Lease Agreement nor this Second Amendment shall be assigned, whether by operation of law or otherwise, by Kinder without the prior

written consent of PSE&G except to a person controlling, controlled by or under common control with Kinder. Any assignment by Kinder shall not relieve Kinder of its obligations hereunder.

13. **Notices:** Any notice or demand in respect of the Lease Agreement or this Second Amendment shall be made in writing and shall be deemed to have been validly delivered if delivered personally with signed receipt or sent by overnight express, certified or registered mail, postage prepaid, to the addressee at the address shown below, or at such other address as the addressee may have furnished in writing to the other party.

PSE&G:	Richard A. Franklin Manager – Corporate Properties PSEG Services Corporation 80 Park Plaza T-6B Newark, NJ 07101
With Copy to:	David K. Richter Associate General Counsel PSEG Services Corporation 80 Park Plaza T-5B Newark, NJ 07102
Kinder:	~~Sales Manager~~ Terminal Manager Kinder Morgan Carteret 78 Lafayette Street Carteret, New Jersey 07008

14. **Scope of Agreement:** The Lease Agreement and this Second Amendment covers only the use of a portion of the aforesaid PSE&G 12-inch diameter pipeline to connect the Kinder Terminal in Carteret, New Jersey with the Sun Oil Pipeline located in Linden, New Jersey.

15. **Remainder of Lease Agreement Remains in Full Force and Affect:** Except as specifically amended by the provisions of the First Amendment and this Second Amendment, all other provisions, terms and conditions of the Lease Agreement shall remain fully in force without modification except as modified herein.

16. **Entire Agreement:** The Lease Agreement, the First Amendment, and this Second Amendment constitute the entire understanding between PSE&G and Kinder with respect to the subject matter hereof and there are no understandings, representations or warranties of any kind except as expressly set forth herein.

IN WITNESS WHEREOF, PSE&G and Kinder have caused this Second Amendment to be duly executed as of the day and year first above written.

WITNESS

By:____________________
Name:
Title:

KINDER MORGAN LIQUIDS TERMINALS, LLC

By: Carlos T. Munguia
Name: CARLOS T. MUNGUIA
Title: VICE President Operations

WITNESS

By: Roger J. Trudeau
Name: ROBER J. TRUDEAU
Title: SRPC

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
By: PSEG Services Corporation, Its Agent

By: RAF 1-19-2000
Richard A. Franklin
Manager-CorporateProperties

EXHIBIT A

(a) Kinder further agrees to maintain the following minimum insurance from carriers with an A.M. Best rating of at least A-/VIII during the term of the Lease Agreement and this Second Amendment

Worker's Compensation Insurance - in accordance with statutory requirements and Employers' Liability Insurance with a minimum limit of $500,000 each accident.

Commercial General Liability Insurance - including premises, contractual liability, products/completed operations, independent contractors, broad form property damage, and coverage for explosion, collapse and underground hazards (XCU) with the following limits of liability: Bodily Injury - $5,000,000 each occurrence; Property Damage - $5,000,000 each occurrence. If any insurance is provided on a claims-made basis, Kinder shall maintain continuous insurance coverage during the term of this agreement and in addition to the coverage requirements above, such policy shall provide that; (i) policy retroactive date coincides with or precedes the effective date of this agreement (including subsequent policies purchased as renewals or replacements); (ii) policy allows for reporting of circumstances or incidents that might give rise to future claims; (iii) Kinder shall maintain similar insurance for at least two (2) years following the termination of this agreement, including the requirement of adding PSE&G as an additional insured, and (iv) if insurance is terminated for any reason, Kinder agrees to purchase an extended reporting provision of at least two (2) years to report claims arising from work performed in connection with this agreement

Comprehensive Automobile Liability Insurance - including coverage for all owned, non-owned and hired automobiles used during the occupancy of the property and the performance of the work with the following minimum limits of liability: Bodily Injury - $3,000,000 each occurrence; Property Damage - $3,000,000 each occurrence.

Environmental/Pollution Liability - with minimum limits of $10,000,000 each occurrence if the occupancy of the property or the work involves environmental testing, remediation, including the disposal, handling or transportation of hazardous or toxic wastes, materials or substances.

Umbrella or Excess Insurance may be used to satisfy the limit requirements for Employer's Liability Insurance, Commercial General Liability Insurance, Comprehensive Automobile Liability and Pollution Liability Insurance set out above. Such umbrella policy shall follow the form of those primary coverages, be in excess of those underlying policies without gaps in limits and provide coverage as broad as the underlying.

(b) All liability coverages (except Workers' Compensation) shall name PSE&G as an additional insured to support the contractual obligations assumed by Kinder under this lease agreement, and provides that this coverage is primary and without right of contribution from insurance carried by PSE&G. Such policies shall include a waiver of subrogation or its equivalent in favor of PSE&G. Prior to access to the Pipeline, Kinder will deliver certificates of insurance to PSE&G evidencing this coverage is in effect and coverage afforded under the policies will not be canceled, non-renewed or the limits in any manner reduced, until at least thirty (30) days prior written notice has been given to PSE&G. The completed operations coverage shall be provided for a period of at least two (2) years after completion of any work.

(c) The insurance requirements as set forth above are to fully protect PSE&G from any claims by third parties including, but not limited to, Kinder's officials, employees, servants, Kinder's invitees, contractors, successors, assigns or agents. Said insurance, however, shall in no manner relieve or release Kinder, its agents, subcontractors and invitees from or limit their liability as to any and all obligations herein assumed.

(d) Kinder shall notify PSE&G immediately by telephoning the Manager of Corporate Properties at 973-430-7000 and in writing within twenty-four (24) hours after learning of the occurrence thereof, of all accidents on the Pipeline and/or use and occupancy of the Pipeline. Such notice shall not relieve Kinder of its obligations under the Lease Agreement or this First Amendment, and shall not be construed to be other than a mere notification.

EXHIBIT D

TO TRUDEAU AFFIDAVIT

CRE File #: GL-93-0001

THIRD AMENDMENT TO PIPELINE LEASE AGREEMENT
BETWEEN
PUBLIC SERVICE ELECTRIC AND GAS COMPANY
AND
KINDER MORGAN LIQUIDS TERMINALS, LLC

THIRD AMENDMENT TO PIPELINE LEASE AGREEMENT dated this 21st day of December 2018 (hereinafter called "**Third Amendment**") between **PUBLIC SERVICE ELECTRIC AND GAS COMPANY**, a New Jersey public utility corporation having its principal office at 80 Park Plaza, Newark, New Jersey 07102 ("**PSE&G**") and **KINDER MORGAN LIQUIDS TERMINALS**, a Delaware limited liability company having its principal office at 78 Lafayette Street, Carteret, NJ 07008 ("**Kinder**").

WITNESSETH

WHEREAS, PSE&G wholly owns a 12-inch diameter pipeline and related equipment (hereinafter "Pipeline") for the transportation of bulk liquid hydrocarbon products between the Kinder Terminal in Carteret, New Jersey and the existing PSE&G facilities in Linden, New Jersey which pipeline is not presently utilized by PSE&G for its utility operations;

WHEREAS, by agreement dated August 23, 1993 (hereinafter called "**Lease Agreement**") PSE&G leased a portion of the Pipeline to GATX Terminals Corporation for the transportation of bulk liquid hydrocarbon products between the Kinder Terminal in Carteret, New Jersey and the Sun Pipeline Company located in Linden, New Jersey;

WHEREAS, Kinder is the successor in interest in the Lease Agreement to GATX *Terminals Corporation;*

WHEREAS, by agreement dated December 28, 2010 Kinder and PSE&G extended the Lease Agreement for three (3) additional years and modified certain portions of the Lease Agreement ("**First Amendment**");

WHEREAS, by agreement dated October 24, 2013 Kinder and PSE&G extended the Lease Agreement for one (1) year with four (4) options to renew for one (1) year each term and modified certain portions of the Lease Agreement ("**Second Amendment**");

WHEREAS, the Second Amendment expires on December 31, 2018; and

WHEREAS, Kinder and PSE&G desire to extend the Lease Agreement for one (1) year with two (2) options to renew for one (1) year terms.

NOW, THEREFORE, in consideration of the promises and the mutual agreements and covenants herein contained, PSE&G and Kinder hereby agree as follows:

1. **Term:** The term of the Lease Agreement shall be extended to **December 31, 2019** subject to receipt of the governmental approvals as set forth herein and subject to termination as provided for herein.

2. **Annual Rental Amount:** Kinder shall pay PSE&G an annual rental to include throughput in the amount of **THREE HUNDRED SIXTY SIX THOUSAND ONE HUNDRED EIGHTY DOLLARS AND ZERO CENTS ($366,180.00) ("Annual Rental")**, *payable in monthly installments of* **THIRTY THOUSAND FIVE HUNDRED FIFTEEN DOLLARS AND ZERO CENTS ($30,515.00)**, on the 1st of each month (**"Monthly Rent"**) beginning on **January 1, 2019**.

3. **Options to Extend:** Provided Kinder is not in default under the terms of the Lease Agreement or this Third Amendment, Kinder shall have the option to extend the term of the Lease Agreement for up to two (2) years in one (1) year increments. Kinder shall provide PSE&G written notice of Kinder's intent to extend the term of the Lease Agreement for an additional one (1) year term on or before September 30 of the then current lease year. Failure of Kinder to provide said notice in said time shall cause the Lease Agreement to terminate on December 31 of the then current lease year. In the event Kinder exercises its option(s) to extend the Lease Agreement the annual rent shall be increased by two percent (2%) over the then current lease year's annual rent. Said annual rental shall be paid in accordance with the terms of Paragraph 2 Annual Rent Amount above.

4. **Right of First Refusal:** In the event PSE&G should receive a bona fide offer to purchase the pipeline, PSE&G shall present the offer to Kinder. Kinder shall have sixty (60) days to notify PSE&G that it is willing to purchase the pipeline for the same terms and conditions as presented in the bona fide offer. Should Kinder so accept, the parties shall enter into an agreement to effectuate the sale and purchase of the pipeline, subject to New Jersey Board of Public Utilities regulations.

5. **Inspection and Maintenance:** Kinder shall take full responsibility for operating, maintaining, repairing and replacing the Pipeline in a safe manner, including the adherence to a pipeline integrity plan for this particular pipeline, conformance with all requirements of jurisdictions regarding same, including, but not limited to actions required to protect the pipeline from interference or threats from third parties (**"Markouts"**). Kinder shall maintain an active and effective spill response plan, as required by governing authorities, especially in connection with pipelines crossing through wetlands. Kinder shall upon execution provide PSE&G with a copy of their Pipeline Integrity Plan, and copies of all tests, assessments and modifications to the pipeline made for purposes of maintaining the integrity of the pipeline for continued use as a transporter of hydrocarbon or other products, liquid or gaseous, under pressure. PSE&G requires copies of any and all regulatory inspections or audits of the pipeline integrity. Kinder is responsible for the testing and maintenance of cathodic protection on the leased pipeline for regulatory compliance. PSE&G shall operate and maintain the rectifier installation that provides cathodic protection to the leased pipeline. Kinder will take all responsibility for proper markout of the line for excavators and observation of

excavations by third parties that are adjacent to the Pipeline. Pursuant to the First and Second Amendments, and in consideration of the increased responsibilities mentioned above, Kinder shall no longer pay PSE&G an annual inspection and maintenance fee.

6. **Compliance with Federal Regulations**: All costs of any future modifications to maintain the Pipeline in compliance with government regulations will be borne by Kinder. If required to make modifications in order to be in compliance with governmental regulations, Kinder must notify PSE&G in writing of its plans for the modifications or improvements or may elect to terminate the Lease Agreement within thirty (30) days following written notice of refusal to make the mandatory modifications. Kinder is solely responsible for the preparation and submission of the "Response Plans for Onshore Oil Pipelines" as required in the DOT 49 CFR Part 194 regulations.

7. **Improvements and Relocations**: Kinder will at their sole cost and expense, be allowed to make modifications to the Pipeline as needed for their operations, including relocating the Pipeline for operational or maintenance purposes or due to third party encroachment. All new sections of the Pipeline shall be of an acceptable design and standard of construction, including pressure testing, that is consistent or better with the rest of the existing Pipeline and that conforms to all applicable codes, standards and environmental practices standard to the industry. PSE&G shall have no obligation to relocate the Pipeline for any reason.

8. **Liability Indemnification**: Kinder agrees to indemnify, hold harmless and defend PSE&G, its employees and officers, from and against any and all claims, suits, judgments, damages, losses, assessments, environmental liabilities of any kind, including costs of remediation, fines and assessments, added taxes or other liability of any nature (all hereinafter called "Liabilities") arising out of or related to the use and operation of the Pipeline by Kinder, its employees, agents or contractors. This indemnification does not apply to any claims, losses, suits or damages caused by the sole negligence or willful misconduct of PSE&G, its employees, contractors or subcontractors. Anything in this paragraph to the contrary notwithstanding, Kinder shall be fully and solely responsible for any and all bulk liquid hydrocarbon product transported through the Pipeline during the term of the Lease Agreement or this Third Amendment. As provided in paragraph 12., Leak Response Or Damage, of the Lease Agreement Kinder shall be solely responsible for any and all cleanup of pipeline product that may be spilled or that may leak from the pipeline, regardless of cause, and shall be responsible for any and all Liabilities, including environmental, resulting from such spill or leakage and shall indemnify, hold harmless and defend PSE&G, its employees and officers, from and against any and all claims, suits, judgments, damages, losses, assessments, environmental liabilities of any kind, costs of environmental remediation, fines and assessments, added taxes or other liability of any nature caused by or resulting from the leakage or spill of pipeline product. Kinder shall be responsible for all costs, scheduling, design and workmanship necessary for repair of damage to the pipeline to restore the line to full useful and code compliant use. The provisions of this Paragraph shall survive the expiration or earlier termination of the Lease Agreement.

9. **Approval and Termination:**

a. This Third Amendment shall be submitted by PSE&G to the New Jersey Board of Public Utilities (hereinafter "**NJBPU**") for approval pursuant to New Jersey law. If PSE&G is unable to obtain approval from the NJBPU, PSE&G shall immediately terminate the Lease Agreement by written notice to Kinder.

b. This Third Amendment and the Lease Agreement may be terminated for cause by either party, if, after providing the other party with written notice of default (the "**Notice of Default**"), the defaulting party does not correct such default within sixty (60) days of receipt of the Notice of Default, or such reasonable extension of time as necessary provided the defaulting party is in good faith proceeding to cure the default.

c. At the end of the term of this Third Amendment, or any extension thereof or upon earlier termination as provided in this section, as applicable, Kinder shall surrender the Pipeline to PSE&G in as good a state and condition as it was at the start of the lease term, reasonable use and wear excepted. Kinder shall purge and clean the Pipeline of Kinder hydrocarbon product and fill same with nitrogen prior to surrendering the Pipeline to PSE&G.

Should the termination of this Third Amendment or the Lease Agreement trigger the provisions of the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. or any subsequent statute or regulation, Kinder will be fully responsible to comply with and satisfy any condition of the New Jersey Department of Environmental Protection. PSE&G shall have no further liability for any environmental conditions associated with the Pipeline.\

d. Kinder can terminate the Lease Agreement for any reason by written notice to PSE&G three (3) months prior to the date of termination.

10. **Ingress and Egress:** PSE&G hereby agrees that it will not impede the ability of representatives of Kinder to have the unlimited right of ingress and egress at any and all times to the Pipeline. PSE&G hereby grants Kinder a non-revocable Right of Entry to the Pipeline for a term simultaneous with this Third Amendment. If this Third Amendment or the Lease Agreement is terminated for any reason, Kinder's Right of Entry is also terminated.

11. **Insurance:** Kinder agrees to provide the insurance coverage set forth in **Exhibit A,** which is incorporated into and made a part of the Lease Agreement and this Third Amendment.

12. **Assignment:** The Lease Agreement and this Third Amendment shall be binding upon, and inure to the benefit of, the successors and assigns of the respective parties. Notwithstanding the foregoing, neither the Lease Agreement, nor this Third Amendment

shall be assigned, whether by operation of law or otherwise, by Kinder without the prior written consent of PSE&G except to a person controlling, controlled by or under common control with Kinder. Any assignment by Kinder shall not relieve Kinder of its obligations hereunder.

13. Notices: Any notice or demand in respect of the Lease Agreement, or this Third Amendment shall be made in writing and shall be deemed to have been validly delivered if delivered personally with signed receipt or sent by overnight express, certified or registered mail, postage prepaid, to the addressee at the address shown below, or at such other address as the addressee may have furnished in writing to the other party.

PSE&G:	Roger J. Trudeau Manager – Corporate Properties PSEG Services Corporation 80 Park Plaza T-6B Newark, NJ 07101
With Copy to:	Ana J. Murteira, Esq. Sr. Counsel – Property Law, Regulatory PSEG Services Corporation 80 Park Plaza T-5B Newark, NJ 07102
Kinder:	Terminal Manager Kinder Morgan Carteret 78 Lafayette Street Carteret, New Jersey 07008

14. Scope of Agreement: The Lease Agreement and this Third Amendment covers only the use of a portion of the aforesaid PSE&G 12-inch diameter pipeline to connect the Kinder Terminal in Carteret, New Jersey with the Sun Oil Pipeline located in Linden, New Jersey.

15. Remainder of Lease Agreement Remains in Full Force and Affect: Except as specifically amended by the provisions of the First Amendment, Second Amendment, and this Third Amendment, all other provisions, terms and conditions of the Lease Agreement shall remain fully in force without modification except as modified herein.

16. Entire Agreement: The Lease Agreement, First Amendment, Second Amendment, and this Third Amendment constitute the entire understanding between PSE&G and Kinder with respect to the subject matter hereof and there are no understandings, representations or warranties of any kind except as expressly set forth herein.

[Signatures on following page.]

IN WITNESS WHEREOF, PSE&G and Kinder have caused this Third Amendment to be duly executed as of the day and year first above written.

WITNESS

KINDER MORGAN LIQUIDS TERMINALS, LLC

By:
Name: Gerald R. Murphy
Title: Director

By:
Name: JOSHUA A. ETZEL
Title: VICE PRESIDENT

WITNESS

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
By: PSEG Services Corporation, its Agent

By:
Name: [illegible]
Title: Senior Corporate Real Estate Consultant

By:
Roger J. Trudeau
Manager - Corporate Real Estate Transactions

Exhibit A

Approved for 3rd Amendment
Per 1-17-19 email, attached.

EXHIBIT A

(a) Kinder further agrees to maintain the following minimum insurance from carriers with an A.M. Best rating of at least A-/VIII during the term of the Lease Agreement and this Second Amendment

Worker's Compensation Insurance - in accordance with statutory requirements and Employers' Liability Insurance with a minimum limit of $500,000 each accident.

Commercial General Liability Insurance - including premises, contractual liability, products/completed operations, independent contractors, broad form property damage, and coverage for explosion, collapse and underground hazards (XCU) with the following limits of liability: Bodily Injury - $5,000,000 each occurrence; Property Damage - $5,000,000 each occurrence. If any insurance is provided on a claims-made basis, Kinder shall maintain continuous insurance coverage during the term of this agreement and in addition to the coverage requirements above, such policy shall provide that; (i) policy retroactive date coincides with or precedes the effective date of this agreement (including subsequent policies purchased as renewals or replacements); (ii) policy allows for reporting of circumstances or incidents that might give rise to future claims; (iii) Kinder shall maintain similar insurance for at least two (2) years following the termination of this agreement, including the requirement of adding PSE&G as an additional insured, and (iv) if insurance is terminated for any reason, Kinder agrees to purchase an extended reporting provision of at least two (2) years to report claims arising from work performed in connection with this agreement

Comprehensive Automobile Liability Insurance - including coverage for all owned, non-owned and hired automobiles used during the occupancy of the property and the performance of the work with the following minimum limits of liability: Bodily Injury - $3,000,000 each occurrence; Property Damage - $3,000,000 each occurrence.

Environmental/Pollution Liability - with minimum limits of $10,000,000 each occurrence if the occupancy of the property or the work involves environmental testing, remediation, including the disposal, handling or transportation of hazardous or toxic wastes, materials or substances.

Umbrella or Excess Insurance may be used to satisfy the limit requirements for Employer's Liability Insurance, Commercial General Liability Insurance, Comprehensive Automobile Liability and Pollution Liability Insurance set out above. Such umbrella policy shall follow the form of those primary coverages, be in excess of those underlying policies without gaps in limits and provide coverage as broad as the underlying.

(b) All liability coverages (except Workers' Compensation) shall name PSE&G as an additional insured to support the contractual obligations assumed by Kinder under this lease agreement, and provides that this coverage is primary and without right of contribution from insurance carried by PSE&G. *Such policies shall include a waiver of subrogation or its* equivalent in favor of PSE&G. Prior to access to the Pipeline, Kinder will deliver certificates of insurance to PSE&G evidencing this coverage is in effect and coverage afforded under the policies will not be canceled, non-renewed or the limits in any manner reduced, until at least thirty (30) days prior written notice has been given to PSE&G. The completed operations coverage shall be provided for a period of at least two (2) years after completion of any work.

(c) The insurance requirements as set forth above are to fully protect PSE&G from any claims by third parties including, but not limited to, Kinder's officials, employees, servants, Kinder's invitees, contractors, successors, assigns or agents. Said insurance, however, shall in no manner relieve or release Kinder, its agents, subcontractors and invitees from or limit their liability as to any and all obligations herein assumed.

(d) Kinder shall notify PSE&G immediately by telephoning the Manager of Corporate Properties at 973-430-7000 and in writing within twenty-four (24) hours after learning of the occurrence thereof, of all accidents on the Pipeline and/or use and occupancy of the Pipeline. Such notice shall not relieve Kinder of its obligations under the Lease Agreement or this First Amendment, and shall not be construed to be other than a mere notification.

EXHIBIT E

TO TRUDEAU AFFIDAVIT

APPRAISAL REPORT

PSE&G – Pipeline
Woodbridge to Linden – 3 Segments
New Jersey

File No. 9740

Nationwide Consulting Company, Inc.

NCC NATIONWIDE CONSULTING COMPANY, INC.
P.O. BOX 548, 66 GLEN AVENUE, GLEN ROCK, NEW JERSEY 07452
www.nccpes.com TEL (201) 670-7400 FAX (201) 670-7959 info@nccpes.com

September 13, 2018

Mr. Roger J. Trudeau
PSE&G Services Corporation
80 Park Plaza, T6B
Newark, NJ 07101

Re: Appraisal Report
PSE&G - Pipeline
Woodbridge to Linden – 3 Segments
New Jersey

Dear Mr. Trudeau:

Pursuant to your request, we submit a Summary Appraisal report relative to this property. We have made an inspection of the real estate and local conditions and formed an analysis of all relevant data in estimating the market value.

The following report, including exhibits, fully describes the method of approach and contains all pertinent data gathered in our investigation of the subject.

After careful consideration, we have concluded that the market values and annual rental amounts of the subject pipeline segments and related Rights of Way, as of September 6, 2018, are:

Segment 1 Woodbridge (near Blair Rd.-Avenel) heading north and terminating north of Roosevelt Avenue in Carteret – 13,400 LF.

Market Value	**$1,340,000**
Annual Rental Amount	**$ 174,200**

Segment 2 Beginning at Kinder-Morgan Oil Terminal and heading west for 4,800 LF (2,500 LF installed in 1972) and then heading north (adjacent to NJ Turnpike) for 4,700 LF and terminating near the NuStar Terminal – 9,500 LF.

Market Value	**$1,262,000**
Annual Rental Amount	**$ 359,000***

**** Since Segment 2 is leased at $359,000, more weight is applied to the actual lease rate. Concluded rent for Segment 2 is $359,000***

Segment 3 Starting from Segment 2 and heading north. At this point, the line splits. One area heads west under the NJ Turnpike and then north and terminating at the Conoco Phillips Bayway Refinery. The other section continues north and terminates near Grasselli Road – 6,200 LF.

Market Value	**$620,000**
Annual Rental Amount	**$ 80,600**

We certify that we have no present or contemplated future interest in the subject and that our employment and compensation are in no way contingent upon the value reported. In addition, the appraisal assignment was not based on a requested minimum valuation or specific valuation or approval of a loan.

Respectfully submitted,

Gregg Manzione, MAI
Partner
NJ License # RG00378

GM:ac
Enclosure

PIPELINE MAP

TABLE OF CONTENTS

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Subject Property:	Miscellaneous Parcels Pipeline Woodbridge to Linden New Jersey	
Distance/Age:	5.51 miles or 29,100 Linear Feet of 12" carbon steel pipe, built in 1953 with part of Segment 2 added in 1972. The line is cathodically protected and it has a cold tar coating. The line is generally buried 4' underground. Some areas are above ground for short distances (terminus of Segment 3 and near NJ Turnpike crossing).	
Segment 1	2.54 miles or 13,400 LF – Mostly within Railroad ROW from Woodbridge (near Blair Rd.-Avenel) heading north and terminating north of Roosevelt Avenue in Carteret.	
Segment 2	1.8 miles or 9,500 LF – Beginning at Kinder-Morgan Oil Terminal and heading west for 4800 LF (2,500 LF installed in 1972) and then heading north (adjacent to NJ Turnpike) for 4,700 LF and terminating near the NuStar Terminal.	
Segment 3	1.17 miles or 6,200 LF – Starting from Segment 2 and heading north for a short distance. At this point, the line splits. One area heads west under the NJ Turnpike and then north and terminating at the Conoco Phillips Bayway Refinery. The other section continues north and terminates near Grasselli Road.	
Zoning:	Woodbridge	Light Industrial
	Carteret	Light Industrial
	Linden	Heavy Industrial
Date of Value:	September 6, 2018	

<u>SUMMARY OF SALIENT FACTS AND CONCLUSIONS</u> (Continued)

<u>Final Values:</u>

Segment 1

Market Value	$1,340,000
Annual Rental Amount	$ 174,200

Segment 2

Market Value	$1,262,000
Annual Rental Amount	$ 359,000*

* *Since Segment 2 is leased at $359,000, more weight is applied to the actual lease rate. Concluded rent for Segment 2 is $359,000*

Segment 3

Market Value	$620,000
Annual Rental Amount	$ 80,600

FUNCTION AND PROPERTY RIGHTS OF APPRAISAL

It is our understanding that the purpose of this report is to establish the market value and market annual rental amount of the subject's pipeline as of September 6, 2018. Since the subject is within a right of way, it does not include the full bundle of rights associated with other forms of fee simple real estate. Bundle of rights is defined as follows:

Real property is defined as: land and improvements permanently attached to the land. It is also known as real estate, or realty.

Ownership of real property conveys six basic rights and privileges:

1. The right to **sell** the property
2. The right to **use** or destroy the property
3. The right to **rent** or lease it
4. The right to **give** it away
5. The right to **enter** or leave it
6. The right to **do nothing** with it

This "bundle of rights" may be imagined as a bundle of sticks with each stick representing a separate prerogative of the owner. Each right may be disposed of individually or together with one or more of the others. Real property is often transferred without the exchange of the full bundle. An example is a property sold without the

FUNCTION AND PROPERTY RIGHTS OF APPRAISAL (Continued)

mineral rights. This might significantly alter the value of the property, and thus the appraiser must always ascertain which rights have been conveyed, and what their worth may be.

In the case of the subject, the appraised PIPELINES do not contain the full bundle of rights. As more fully described herein, the pipeline is within an easement which passes through several properties. It is mostly a sub-surface pipeline with a ROW (Right Of Way) passing through several other properties. Since the PIPELINES being valued do not possess the full ownership rights, this report reflects the value for only a partial bundle of rights.

EXPOSURE TIME AND MARKETING TIME

Based on the author's experience in appraising pipelines and ROWs and the conditions affecting the subject's market, typical exposure and marketing times of one year or less are not unusual. However, pipelines and ROWs are more specialized assets with and more narrow market appeal. Therefore the time frame has been increased to two years. Based on their actual hands-on experience and knowledge of the industry, an exposure and marketing time of two years was considered appropriate for the subject property.

INTENDED USE AND USER

It is our understanding that this report is to be utilized for establishing the market value and annual rental amount of the various segments of the subject pipelines. These figures will be utilized for potential sale or lease of the property. The intended client is Mr. Roger Trudeau with PSE&G Services Corporation.

PRIOR APPRAISAL

This property was appraised by our firm in 2016.

PURPOSE OF THE APPRAISAL

The purpose of this study is to determine the market value and annual rental amount of the subject property, based on the property rights being valued.

Market value is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. Continual refinement is essential to the growth of the appraisal profession. The current economic definition of market value is stated as follows:

> "The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated.
> 2. Both parties are well informed or well advised and each acting in what they consider their own best interest.
> 3. A reasonable time is allowed for exposure in the open market.
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Source: The Board of Governors of the Federal Reserve System (the Board) under Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) (Pub. L. No. 101-73, 103 Stat. 183 (1989)), 12 U.S.C. 3310, 3331-3351, and Section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b).

CONDITIONS LIMITING PREPARATION AND USE OF REPORT

The following assumptions and limiting conditions apply to this appraisal:

1. It is assumed that:

   a. Title to the property is free from substantial defect and is marketable.

   b. The property is free and clear of any lien or encumbrance of record which cannot be discharged in order to present a marketable title in fee simple to any purchaser.

   c. The legal description furnished is correct.

2. No land survey has been made by us. Valuation is reported without regard to questions of title, boundaries or encroachments.

3. Information furnished or representations made by others are assumed to be reliable but are not guaranteed.

4. No responsibility is assumed for matters legal in nature. Title to the property is assumed to be good and marketable unless otherwise stated in this report.

5. The value estimate is reported in terms of the currency in circulation as of the effective date of the appraisal.

6. The appraisers will not be required to appear or give testimony before any judicial or other public or private body by reason of having prepared this appraisal report unless prior agreement and arrangements have been made for such an appearance.

7. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the authors. This applies particularly to

CONDITIONS LIMITING PREPARATION AND USE OF REPORT (Continued)

value conclusions, to the identity of the appraisers or the firm with which they are connected, and to any reference to any professional groups with which they are affiliated.

8. This appraisal report has been made in conformance with and is subject to the Uniform Standards of Professional Appraisal Practice.

9. It is assumed that there are no hidden or unapparent conditions of this property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

10. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

11. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in this appraisal report.

12. It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental, or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.

13. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

CONDITIONS LIMITING PREPARATION AND USE OF REPORT (Continued)

14. It is assumed that the utilization of the land and improvements is within the boundaries of property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.

15. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraisers' value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

16. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disability Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

17. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.

18. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

CONDITIONS LIMITING PREPARATION AND USE OF REPORT (Continued)

19. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

20. Gregg Manzione has made a limited inspection of the subject property.

21. PSE&G and its affiliates agrees to indemnify and hold harmless Nationwide Consulting Company, Inc. ("NCC"), and its affiliates, partners, agents or employees from and against any losses, claims, damages, or liabilities (or actions in respect thereof) that may be asserted, except to the extent of any losses, claims, damages or liabilities (or actions in respect thereof) arising by reasons of gross negligence or willful misconduct of NCC in preparing this report, and will reimburse NCC for all expenses (including counsel fees) as they are incurred by NCC in connection with investigating, preparing or defending any such action or claim.

22. This narrative appraisal report has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), effective January 1, 2018. The report is consistent with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

SCOPE OF ASSIGNMENT

For this assignment we have prepared a narrative appraisal report outlining the appraisal techniques and procedures utilized in evaluating the subject property for market value purposes and in estimating an annual rental amount.

This report includes:

1. identification and description of the specific fee simple estate to be appraised and the effective date.

2. a description of the property to be appraised.

3. consideration of the subject's neighborhood and environment, both physical and economic.

4. an analysis of Highest and Best Use.

5. a discussion of the appraisal techniques considered and used in the development of the valuation.

6. a complete presentation of each applicable appraisal approach.

7. a summary and reconciliation of the approaches into a final value estimate as of the value dates in question with consideration given to all pertinent market factors. Once a final value for each pipeline segment has been determined, this value has been converted to a rental figure based on appropriate pipeline risk factors and capitalization rates.

APPRAISAL PROCESS

An appraisal is an estimate of value. To arrive at this estimate, the appraisers follow an orderly procedure by which they define the appraisal problem; plan the work necessary to solve the problem; and acquire the data involved in classifying, analyzing, and interpreting a value estimate. This entire procedure is called the appraisal process.

In determining the value estimate of a parcel of real estate, the appraisers consider three separate, but interrelated approaches to value. These are the Cost, Income and Sales Comparison Approaches.

In the Cost Approach, the appraisers estimate either the reproduction cost-new or the replacement cost-new of the improvements and then deduct the accrued depreciation (physical deterioration, functional and economic obsolescence). Adding the land value to depreciated cost of the improvements results in the estimated cost of the subject property.

In the Income Approach, the appraisers first determine the gross potential income for the property and then deduct allowances for vacancy and credit losses as well as operating expenses. The resulting net income is then converted into value through a process known as capitalization.

APPRAISAL PROCESS (Continued)

The Sales Comparison Approach is primarily a comparative method whereby the appraisers extract from the market similar properties that have sold. The appraisers then apply adjustments to the comparable properties to account for physical and location differences with the subject property. A final interpretation results in a value for the subject. Since the Sales Comparison Approach is based upon the reaction of informed buyers and sellers, it is this methodology used to ascertain the various components in both the Cost and Income Approaches.

Only under optimum conditions, when all factors affecting value are in balance, will the value estimates arrived at by the three approaches coincide. Under normal market conditions, the values arrived at by one or even two approaches will be more significant than the value arrived at by the others. When the value estimate under each approach has been determined, the appraisers then correlate them and give greatest credence to the approach(es) which most accurately reflects the value of the property.

In the case of the subject, which is (mostly) an underground pipeline within a ROW, the appraiser has placed most weight on the Cost Approach. For the Cost Approach, the starting point is the examination of cost new estimates from the Marshall Valuation Service. Marshall Valuation Service is based on years of valuation experience, thousands of appraisals and continual analysis of the costs of new improvements. The

APPRAISAL PROCESS (Continued)

service has been recognized as an authority in the appraisal field for over 72 years. In addition to the use of the Marshall Valuation Service, the appraiser has examined the cost of recent pipeline projects in the region and throughout the nation. Once proper cost new estimates have been determined, appropriate deductions of depreciation have been applied in arriving at a final market value.

As a corroborative method, the Sales Comparison Approach has been employed as a check to the conclusions of the Cost Approach. In regards to the Income Approach, a portion of the subject is leased. This portion is Segment 2 which is 1.8 miles or 9,500 LF. It commences at the Kinder-Morgan Oil Terminal and heads west for 4,800 LF (2,500 LF installed in 1972) and then heads north (adjacent to NJ Turnpike) for 4,700 LF and terminates near the NuStar Terminal. For this section of the subject, historical volumes and lease rates along with current market lease and transportation fees have been examined. Since the remainder of the subject pipelines are not being used, it would be highly speculative to apply an income approach to the remainder. Further, the subject is a closed system which will appeal to a very limited number of market participants.

In conclusion, the Cost Approach has been utilized with additional support from sales and rental information. Once a final value for each pipeline segment has been determined, this value has been converted to a rental figure based on appropriate pipeline risk factors and capitalization rates.

LEGAL DESCRIPTION

Since the appraisers were not provided with a complete legal description, the property is indentified by the pipeline map, depicted in the body of the report.

DELINEATION OF TITLE

According to public records, the subject property has not sold within the past three years and is currently owned by PSE & G, 80 Park Place, Newark, NJ 07102.

ZONING

The various pipeline segments traverse three municipalities. Based on a review of the zoning maps, the subject is within an industrial zoning district of each town. The zoning classifications are as follows with the zoning maps and regulations within the addenda:

Woodbridge	M-1 Light Industrial
Carteret	Light Industrial
Linden	HI-Heavy Industrial

In conclusion, the subject is considered a legal, non-conforming use.

AREA DATA AND NEIGHBORHOOD DATA

Economic Analysis

The economic vitality of the surrounding area, and the immediate neighborhood encompassing the subject property, is an important consideration in estimating future demand and income potential. Historic social, economic, governmental, and environmental forces which reflect the quantity and quality of market demand provide a basis from which future estimates of demand can originate. The following is an overview of each of the area towns.

Woodbridge, NJ

Woodbridge Township is a Township in Middlesex County, New Jersey, United States. As of the United States 2017 Census, the township had a total estimated population of 101,965.

Many distinct communities exist within Woodbridge Township. Several of these communities have their own zip codes, and many are listed by the United States Census Bureau as census-designated places, but they are all unincorporated areas and neighborhoods within the Township that, together, form Woodbridge Township in population and area.

Woodbridge, NJ (Continued)

These communities are as follows:

- Avenel
- Colonia
- Fords
- Hopelawn non-CDP
- Iselin
- Keasbey non-CDP
- Menlo Park Terrace non-CDP
- Port Reading
- Sewaren
- Woodbridge Proper

As of the census estimated figures of 2017, there were 101,965 people, 33,845 households. The median income for a household in the township was $80,950. About 6.1% of the population was below the poverty line.

There are three train stations in the township: Metropark, Avenel (limited service) and Woodbridge. Service is provided by New Jersey Transit Northeast Corridor and North Jersey Coast Line as well as Amtrak Acela Express and Regional services to Newark Penn Station, Penn Station New York, PHL, WAS, & BOS (MetroPark only).

Woodbridge, NJ (Continued)

Garden State Parkway Exits 127 through 131 are in the Township. The New Jersey Turnpike (Interstate 95) passes through Woodbridge Township, and is accessible at Exit 11 (which features a 24-lane toll gate). The Turnpike's Grover Cleveland service area is located between Interchanges 11 and 12 northbound at milepost 92.9. The Thomas Edison service area is located between Interchanges 11 and 12 southbound at milepost 92.9.

U.S. Route 1 and U.S. Route 9 serve the township and merge heading north of the township as the U.S. Route 1/9 concurrently. Other roadways passing through the township are Route 27, Route 35, Route 184, and Route 440.

The Edison Bridge on U.S. Route 9 spans the Raritan River, connecting Woodbridge Township on the north with Sayreville on the south.

AREA DATA AND NEIGHBORHOOD DATA (Continued)

Carteret, NJ

Carteret is a borough in Middlesex County, New Jersey. The Rahway River forms the northern boundary of Carteret (Linden is on the other side of the river), and the Arthur Kill is the eastern boundary (with Staten Island, New York on the opposite side). The township of Woodbridge borders Carteret on all land-based boundaries. The southeastern portion of the borough is known as Chrome, and the portion west of the New Jersey Turnpike is called West Carteret. Exit 12 of the Turnpike is in Carteret.

As of the estimated census of 2017, there were 24,084 people. The median income for a household in the borough was $67,776. About 13.5% of the population was below the poverty line.

Portions of Carteret are part of an Urban Enterprise Zone. In addition to other benefits to encourage employment within the Zone, shoppers can take advantage of a reduced 3½% sales tax rate (versus the 7% rate charged statewide).

New Jersey Transit local bus service is provided on the 116 route to the Port Authority Bus Terminal in Midtown Manhattan and on the 62 route to Newark.

<u>AREA DATA AND NEIGHBORHOOD DATA</u> (Continued)

<u>Carteret, NJ</u> (Continued)

Over the past several years, Carteret has experienced significant apartment and warehouse projects being built. Some of the newer industrial facilities are built near the reconfigured Exit 12 interchange for the Turnpike.

AREA DATA AND NEIGHBORHOOD DATA (Continued)

Linden, NJ

Linden is a city in southeastern Union County, New Jersey. It is part of the New York Metropolitan Area, being about 13 miles southwest of Manhattan, and bordering Staten Island, a borough of New York City.

As of the estimated census of 2017, there were 43,056 people. The median income for a household in the city was $64.471. About 10.77% of the population was below the poverty line.

Linden is served by US Route 1/9 and Route 27. It is also the western terminus of Interstate 278, which travels through all five boroughs of New York City. The Garden State Parkway passes less than a mile west of the city limits. The New Jersey Turnpike (Interstate 95) passes through the eastern portion of the city, with a few ramps that lead to the nearest exit (Exit 13) which just beyond the city limits in nearby Elizabeth.

Local public transportation is provided by New Jersey Transit with bus service to Elizabeth, Perth Amboy and Newark. New Jersey Transit buses 112 and 115 provide local service and interstate service to the Port Authority Bus Terminal in Midtown Manhattan. Linden Train station is on the NJ Transit's North Jersey Coast Line and the Northeast Corridor Line.

AREA DATA AND NEIGHBORHOOD DATA (Continued)

Linden, NJ (Continued)

Linden Airport is a small general aviation facility located on the eastern side of the city along US Route 1/9. Newark Liberty International Airport is approximately 15 minutes away.

The East Side of Linden is located along Arthur Kill, a navigable strait, which plays an important role in bulk cargo transportation in the Port of New York and New Jersey. Together with Elizabeth, Linden is home to the Bayway Refinery a ConocoPhillips refining facility that helps supply petroleum-based products to the New York/New Jersey area, producing approximately 230,000 barrels per day.

Linden, together with Rahway, is home to Merck & Co., one of the world's leading pharmaceutical companies.

Conclusion

The subject is situated within northern Middlesex and southern Union Counties. This area of New Jersey is generally suburban in character with a strong industrial base. It is well situated in proximity to the recently redesigned Interchange 12 of the NJ Turnpike. The dominant improvements within the subject’s immediate area are several bulk petroleum terminals near Interchange 12 and just to the north, in Linden, the Bayway Refinery. Being that the subject is a 12” liquid pipeline, it is well situated within an area of numerous petroleum users, terminals and refineries.

SUBJECT DESCRIPTION

Distance/Age:

5.51 miles or 29,100 Linear Feet of 12” carbon steel pipe, built in 1953 with part of Segment 2 added in 1972. The line is cathodically protected and it has a cold tar coating. The line is generally buried 4’ underground. Some areas are above ground for short distances (terminus of Segment 3 and near NJ Turnpike crossing).

Segment 1:

2.54 miles or 13,400 LF – Mostly within Railroad ROW from Woodbridge (near Blair Rd.-Avenel) heading north and terminating north of Roosevelt Avenue in Carteret.

Segment 2:

1.8 miles or 9,500 LF. Beginning at Kinder-Morgan Oil Terminal and heading west for 4,800 LF (2,500 LF installed in 1972) and then heading north (adjacent to NJ Turnpike) for 4,700 LF and terminating near the NuStar Terminal. As of the writing of this report, this is the only section of the pipeline currently being used. It is being used by Kinder-Morgan.

Segment 3:

1.17 miles or 6,200 LF Starting from Segment 2 and heading north for a short distance. At this point, the line splits. One area heads west under the NJ Turnpike and then north

SUBJECT DESCRIPTION (Continued)

Segment 3: (Continued)

and terminating at the Conoco Phillips Bayway Refinery. The other section continues north and terminates near Grasselli Road.

For the most part, the subject is within easements areas owned by PSE&G or within the railroad ROW. The easements are generally adjacent to industrial areas. Actual road frontages and access points are limited with many areas being restricted for security reasons.

Comments:

For Segment 2, which is leased to Kinder-Morgan, the pipeline is regularly inspected and maintained. More specifically, the exposed sections are painted every 3 to 5 years depending on field conditions, above ground close interval pipe-to-soil survey conducted every 5 years, bi-monthly visual and cathodic protection inspections. The other segments of the pipeline are regularly maintained and inspected.

Segment 2 Lease:

The following is a brief synopsis of the existing lease for Segment 2.

<u>SUBJECT DESCRIPTION</u> (Continued)

<u>Segment 2 Lease</u>: (Continued)

Date:	01/01/2018 to 12/31/2018-
Term:	1 Year- based on second amendment
Owner:	Public Service Electric and Gas Company
Tenant	Kinder-Morgan
Rate	The monthly rent amount for 2018 is: $29,902.19 Year Annual rent: $358,826 Rent includes all thru-put fees.
Other:	Tenant will maintain and operate the pipeline. Annual rent is adjusted for any changes in taxes or insurance premiums. Tenant has right of first refusal to purchase the leased pipeline.

Below is the press release from Kinder Morgan regarding this pipeline:

Kinder Morgan Completes Dedicated Ethanol Pipeline Between Carteret and Linden, N.J.

HOUSTON, April 3, 2012 – Kinder Morgan Energy Partners, L.P. (NYSE: KMP) today announced the completion and startup of a 16-inch dedicated ethanol pipeline connection between its Linden, N.J., unit train facility and its largest New York Harbor terminal in Carteret, N.J. The Linden terminal has handled as much as 36,000 barrels of ethanol a day, with 550,000 barrels of storage through Citgo Petroleum's Tremley Point terminal, which features a high-speed truck rack, a barge and a ship dock. The project complements a previously announced $60 million expansion project at Carteret, which added more than 1 million barrels of storage to the nearly 8 million barrels of storage currently in place at the terminal.

<u>SUBJECT DESCRIPTION</u> (Continued)

The pipeline has the dual benefit of allowing Linden customers access to four Carteret barge docks and two ship docks, while effectively expanding the storage capacity of the Linden terminal. Conversely, ethanol customers at Carteret now have access to a full unit train receiving system.

Initially, Kinder Morgan is projecting that an additional 195,000 barrels at Carteret will be employed in ethanol service. The directional drill pipeline includes full automation and a state-of-the-art leak detection system. Initially, the pipeline will be operated to move domestic grade, fully denatured product, however, Linden will be offering the capability to handle ethanol specifications suitable for export in the near future as the market dictates.

Kinder Morgan Energy Partners, L.P. (NYSE: KMP) is a leading pipeline transportation and energy storage company in North America. KMP owns an interest in or operates approximately 29,000 miles of pipelines and 180 terminals. Its pipelines transport natural gas, gasoline, crude oil, CO2 and other products, and its terminals store petroleum products and chemicals and handle such products as ethanol, coal, petroleum coke and steel. KMP is also the leading provider of CO2 for enhanced oil recovery projects in North America. One of the largest publicly traded pipeline limited partnerships in America, KMP and Kinder Morgan Management, LLC (NYSE: KMR) have an enterprise value of over $40 billion. The general partner of KMP is owned by Kinder Morgan, Inc. (NYSE: KMI). Combined, KMI, KMP and KMR constitute the largest midstream energy entity in the United States with an enterprise value of over $65 billion.

HIGHEST AND BEST USE

The Appraisal Institute defines Highest and Best Use as follows:

> *"Highest and best use is the reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value.*
>
> *Highest and best use of land as though vacant: Among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.*
>
> *Highest and best use of property as improved: The use of a property, as improved, that will maximize its value."**

In determining the highest and best use of the subject, the appraisers have analyzed first, the land as vacant and second, the property as improved.

Highest and best use of land as though vacant. Among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination. Highest and best use of the land or site as though vacant may be the existing use, a project development, a subdivision, or an assemblage; alternatively, it may involve holding the land as an investment.*

Highest and best use of the property as improved. The use of a property, as improved, that will maximize its value. The highest and best use of a property as improved may be

*SOURCE: <u>The Appraisal of Real Estate</u>, 14th Edition

HIGHEST AND BEST USE (Continued)

a continuation of the existing use, renovation or rehabilitation, expansion, adaptation or conversion to another use, partial or total demolition, or some combination of these alternatives.*

In order to estimate the subject's Highest and Best Use, pipelines have unique characteristics which have a direct impact on their highest and best use determinations. Usually a company's pipeline that extends over several states has value and maintains value because it is operated as a system or unit. This is to say that the individual portions of a pipeline company would have little or no value if separated from the system. In the case of the subject, it is not part of a larger, regional or national pipeline transportation system. It is a standalone pipeline which serves a limited area (Woodbridge to Linden). Since the subject is a local pipeline, it will appeal to only a small segment of potential market users.

The investments in specialized equipment and Right-Of-Way would have very little value if they are not used for the transportation of a commodity. It is closely regulated as to safety standards and specifications. Due to the unique factors affecting the subject, it is the appraisers' opinion that the Highest and Best Use is for continued pipeline transmission purposes.

***SOURCE:** The Appraisal of Real Estate, 14th Edition

COST APPROACH

One of the major approaches to value is the Cost Approach, which is based upon the proposition that the depreciated cost to reproduce or replace is an indication of value. Inherent to this approach is the principle of substitution which holds that no person will pay more for a property than the amount for which he can obtain by purchase of a site and construction of a building, without undue delay, a property of equal desirability and utility.

In the application of this Cost Approach, the appraisers first estimate the reproduction cost-new or the replacement cost-new of all improvements. They then estimate in dollars the varying amounts of accrued depreciation, which is comprised of physical deterioration, functional obsolescence and economic obsolescence. The total depreciation is subtracted from the reproduction cost-new estimate in order to arrive at a depreciated cost estimate.

Cost plays an important role in the valuation of a pipeline facility. When considering the cost of pipeline construction, there are several types of cost that must be analyzed and considered. Some of the cost figures that should be considered are as follows:

- Reproduction Cost
- Replacement Cost
- Original Cost
- Depreciated Book Cost

COST APPROACH (Continued)

The appraisers cannot categorically accept any of the above costs as market value.

There are times when some of these costs would be the same or nearly the same as market value. When a line is new, the original cost would closely approximate market value. If the company who owns the pipeline is closely regulated and its earnings from the pipeline are tied to the depreciated book cost, then this depreciated book cost would greatly influence and affect market value.

The Cost Approach is used in some form in many appraisals. It is well recognized that in valuing pipelines, cost new less depreciation is a technique to be considered in arriving at market value.

Cost-new of a pipeline project is a composite of many items. The major categories include Archaeological and Environmental surveys, Materials, Corrosion Coatings, Valve Settings, Installation, Engineering, Radiology, Contingencies, interest and FERC Fees.

For the Cost Approach, the starting point is the examination of cost new estimates from the Marshall Valuation Service. Marshall Valuation Service is based on years of valuation experience, thousands of appraisals and continual analysis of the costs of new improvements. The service has been recognized as an authority in the appraisal field for

<u>COST APPROACH</u> (Continued)

over 72 years. In addition to the use of the Marshall Valuation Service, the appraiser has examined the cost of recent pipeline projects in New Jersey, along with projects completed in the region and throughout the nation. Once proper cost new estimates have been determined, appropriate deductions of depreciation have been applied in arriving at a final market value.

Beginning with the Marshall Valuation Service, this cost manual depicts the following cost new figures:

<u>Marshall Cost New Figures</u>

12” carbon steel pipeline @ **$422.39 per Linear Foot**

(Section 62, Page 6 – 12” pipe, good cost @ $1,078,000/mile or $204.17/foot x 1.04 Current Cost Multiplier x 1.29 Local Multiplier x 1.25 Contingencies, Terrain, etc. equals **$342.39/LF** Plus ROW of $**80/LF*** – see below)

* *Since the Marshall Cost New Figures do not include Right-of-Way costs, the appraisers have added ROW costs based on actual project costs. The Oil & Gas Journal, dated October 2, 2017 cites ROW costs for various pipeline projects. For all US pipeline projects in 2016, the average ROW cost was $83.63/LF. For only 12” pipeline projects, the 2017 ROW cost was information was very limited with only 2 projects—costs ranged from $14.09/LF to $17.87/LF. There were 2 small pipeline projects in New Jersey. Their costs for ROW was from $4.76/LF to $853.38/LF. This wide range is of limited use in our analysis. In addition, PSE&G purchased a corridor land parcel (entire fee) for $68.87/LF. Based on the location and size of these projects, a ROW amount of $80/LF has been applied.*

<u>COST APPROACH</u> (Continued)

Actual Project Costs

As support for the above Marshall Cost New Figures, the appraiser has compared these costs to recent pipeline projects as depicted in the Oil & Gas Journal. However, there have been a limited number of recent pipeline projects with none in New Jersey. There were 2- 12” pipeline projects in 2016 at an average cost of $6,719/LF. Both were very small projects and the costs are far outside the range of our typical data. The average of all projects in the US indicated a total cost of $1,125/LF which is actually below the 2014 average of $1,243/LF.

As per The Oil and Gas Journal – October 2, 2017 edition, *“A dramatic drop in outlays for labor was the primary driver of lower land pipeline construction costs, rates falling by nearly 50% to $1.96 million/mile from $3.6 million/mile. Material costs were the only category to rise, moving from $989,000/mile to $1.3 million/mile. The roughly $1.71-million decrease in total estimated $/mile land pipeline construction costs brought them to $5.94 million per mile, 22% lower than 2016.”*

These figures are substantially higher than the costs indicated by the Marshall Cost Figures ($422.39/LF). It should be noted that the average costs are for larger pipelines with the average diameters being 20” to 48” lines. Also, as stated in the Oil and Gas

<u>COST APPROACH</u> (Continued)

<u>Actual Project Costs</u> (Continued)

Journal, October 2, 2017, pipeline costs trends over the past 10 years shown a large spike in cost in 2013/2014 and then a similar large drop in 2014/2015. End of 2015, cost retreated back to 2011 levels. And as noted by the following trend chart, cost of risen on the 2017.

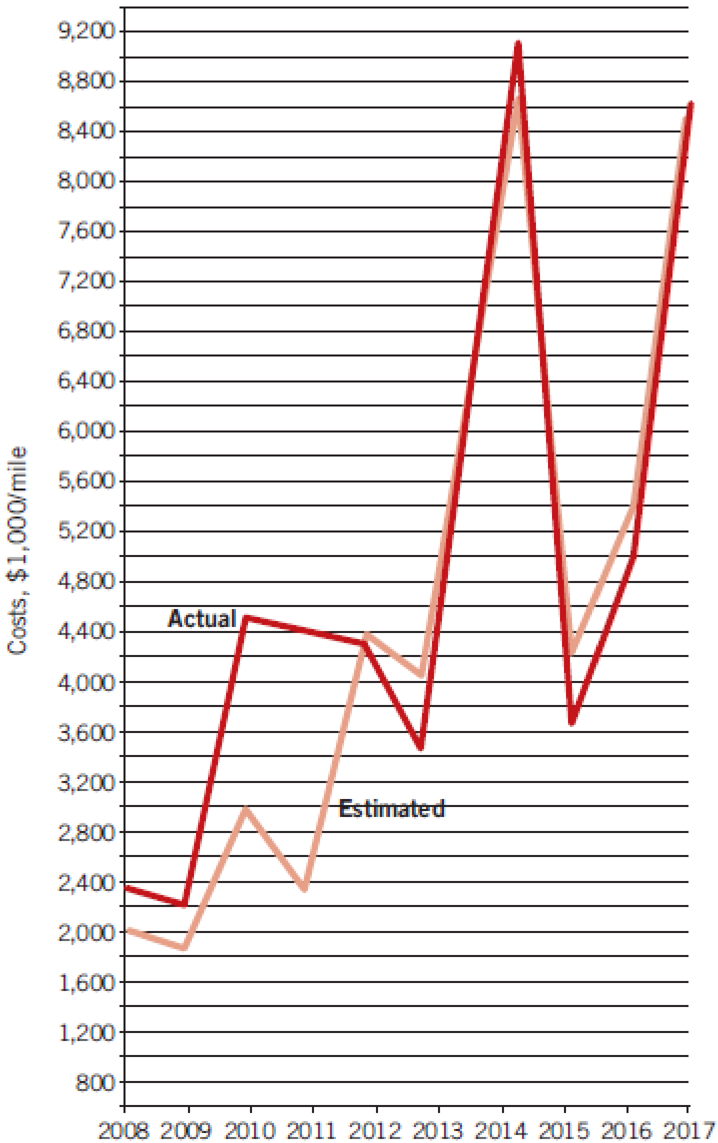
The chart on the next page depicts this trend through 2017:

<u>COST APPROACH</u> (Continued)

<u>Actual Project Costs</u> (Continued)

ESTIMATED, ACTUAL COST TRENDS—10 YEARS*

FIG. 6



*Land and offshore pipeline construction as of June 30 of each year for the previous 12 months.
Source: US FERC

<u>COST APPROACH</u> (Continued)

<u>Actual Project Costs</u> (Continued)

Also stated in the same edition, it comments on the profits and volumes for pipeline companies. *"Oil pipeline earnings, however, rose by $3.85 billion (57.6%), with a more than $1 billion (4.9%) increase in revenues as well (Table 2). The increased earnings more than erased the segment's substantial 2015 decline. Crude deliveries for 2016 decreased by nearly 135 million bbl. or 1.2%, while product deliveries rose 502 million bbl. (6.9%)."*

From that same article, *"Roughly 530 miles of pipeline were proposed for land construction, with 22.3 miles of offshore work submitted. The land level was down sharply from the nearly 2,500 miles proposed for land construction in 2016 and the 2,192 miles proposed for land construction in 2015."*

Based on the information illustrated herein, the Marshall Cost New figures appear to be on the low end of the range. Based on actual projects with support from the Marshall Cost figures, a cost new amount of $500/Linear Foot has been utilized. The following depicts the cost new estimates for each pipeline segment:

Segment 1:	13,400 LF @ $500/LF	=	$6,700,000
Segment 2:	9,500 LF @ $500/LF	=	$4,750,000
Segment 3:	6,200 LF @ $500/LF	=	$3,100,000

COST APPROACH (Continued)

Depreciation

Several sources were researched to assist in estimating the physical life of the subject assets with varying life estimates found.

Marshall Valuation Services in Section 97, Page 21, under the category Petroleum and Natural Gas Drilling, On Shore, shows a maximum life for a pipeline transportation system to be 26.5 years to a maximum depreciation for deterioration of 80% (Section 97, Page 21). On first glance, this may appear to be a short life. However, due to the high residual (20%), this may be appropriate.

A second source to estimate the physical life for the subject was the industry itself. Various major oil companies were contacted to gather this information. A consensus was that a 30 to 50 year life is average for a pipeline and that the majority of the majors utilize this range in their studies.

A third source to estimate depreciation of a pipeline was from FERC. The average FERC allowed depreciation equates to 50 years.

For Segments 1 and 3 along with 7,000 linear feet of Segment 2, the pipeline was installed in 1953. The 12" pipeline was originally constructed in 1953, indicating

COST APPROACH (Continued)

Depreciation (Continued)

a chronological age of 65 years. Due to the age of this pipeline, it would indicate a maximum depreciation rate of 80%, as per Marshall & Swift Depreciation Tables. However, PSE&G performs routine annual maintenance and inspections which will help to extend the pipeline's useful life and lower overall depreciation rates. Based on these factors, the pipeline has a revised effective age of 50 years which is the same depreciation rate of 80%.

In addition to physical deterioration/depreciation, the appraisers have applied deductions for functional and external obsolescence issues. Functional obsolescence as defined by the Dictionary of Real Estate Appraisal, 3rd Edition is defined as follows:

> "An element of accrued depreciation resulting from deficiencies or superadequacies in the structure."

External obsolescence as defined by the same source is as follows:

> "An element of accrued depreciation; a defect, usually incurable, caused by negative influences outside a site and generally incurable on the part of the owner, landlord, or tenant."

Since Segments 1 and 3 are closed and not part of a larger pipeline system, the total depreciation amount of 80% is supported by the facts. Again, the 80% rate of depreciation is the maximum amount. For Segment 2 (built in 1953 and in use), the total depreciation based on the Marshall Depreciation Tables is 80%.

<u>COST APPROACH</u> (Continued)

<u>Depreciation</u> (Continued)

For the section of Segment 2 which was constructed in 1972, it will have a different depreciation rate. This section is 2500 feet in length and it is currently being used by Kinder-Morgan. It has an actual age of 46 years. Since it is being regularly maintained and inspected, its effective age has been reduced to 34 years. Based on a total life of 50 years, Marshall Depreciation tables reflect a 43% depreciation rate. Since the pipeline is not part of a larger pipeline system, the total depreciation amount has been increased to 55%. The additional 12% reflects obsolescence factors associated with a limited pipeline system.

The following illustrates the cost new and depreciated values:

<u>Segment 1</u>: Cost New 13,400 LF @ $500/LF =	$6,700,000
Less: 80% Depreciation	(<u>$5,360,000</u>)
**Reflects physical – along with functional and external obsolescence due to being closed and not part of a larger pipeline system – limited market appeal*	
Segment 1 Depreciated Value	**$1,340,000**

<u>COST APPROACH</u> (Continued)

<u>Depreciation</u> (Continued)

<u>Segment 2</u>: 1953 Installed

Cost New 7000 LF @ $500/LF =	$3,500,000
Less: 80% Depreciation	($2,800,000)

**Reflects physical – along with functional and external obsolescence due to not being part of a larger pipeline system – limited market appeal*

1953 Installed Section Depreciated Value	**$ 700,000**

<u>Segment 2</u>: 1972 Installed

Cost New 2500 LF @ $500/LF =	$1,250,000
Less: 55% Depreciation	($ 688,000)

**Reflects physical – along with functional and external obsolescence due to not being part of a larger pipeline system – limited market appeal*

1972 Installed Section Depreciated Value	**$ 562,000**

<u>Segment 3</u>: Cost New 6200 LF @ $500/LF =	$3,100,000
Less: 80% Depreciation	($2,480,000)

**Reflects physical – along with functional and external obsolescence due to being closed and not part of a larger pipeline system – limited market appeal*

Segment 3 Depreciated Value	**$ 620,000**

COST APPROACH (Continued)

Conclusions by the Cost Approach

Segment 1: Net Value	$1,340,000
Segment 2: Net Value – 1953 Section	$ 700,000
Segment 2: Net Value – 1972 Section	$ 562,000
Segment 3: Net Value	$ 620,000
Total	$3,222,000*

* Reflects $584,755/mile or $110.75/linear foot

As a check to the above value conclusions, pipeline sales have been depicted in the following section of the report.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the premise that the informed prudent and rational purchaser (investor or user) applying the principal of substitution will pay no more for a property than the cost to him of acquiring a similar competitive property with the same utility as of the valuation date. The approach is predicated on the assumption that there is, in fact, an active market for the type of property being appraised; and the data on recent sale prices of similar competitive properties in the same market, representing bona fide arms-length transactions, are an appropriate guide to the market value of the subject property.

Application of the Sales Comparison Approach requires the comparing and rating of other comparable properties to the property appraised. That is, to develop indications of what they would have sold for it they had possessed all of the basic and pertinent physical and economic characteristics of the subject property. Indications of such adjusted sale prices are developed for several comparable sales. These indications hopefully fall into a pattern clustering around one figure which, when appropriately rounded, provides an indication of the market value of the subject property as of the date of appraisal.

In addition, the Sales Comparison Approach takes into account such important, but frequently overlooked, market elements as the effect of financing terms on sales prices

SALES COMPARISON APPROACH (Continued)

and sales commissions. Market price is the basic guide to market value in the Sales Comparison Approach. It includes whatever constitutes the cost to the typical purchaser.

Sales of properties, as they appear on the following pages, have been assembled for the purpose of providing a corroborative basis to the Cost Approach.

<u>SALES COMPARISON APPROACH</u> (Continued)

<u>Pipeline Sale 1</u>

Located in eastern Texas, ExxonMobil sold various assets to Sunoco Logistic on November, 1, 2009. The total purchase price for all assets was $185 million. The assets are 280 miles of pipeline (mostly 8') and 6 bulk petroleum terminals. The allocated pipeline value is $150,000,000 or $535,714/mile or $101.46/lf. Pipeline is a major supply system to the east Texas area. It is a light petroleum products system which included various business intangibles. Once adjusting this sale for being a much larger system and the business factors associated with the transaction, it supports the Cost Approach conclusions.

<u>Pipeline Sale 2</u>

TEPPCO, one of the country's largest pipeline distribution companies was purchased by Enterprise Products for $3.3 billion. The transaction occurred on October 23, 2009. The estimated allocated value of the pipeline system is $2 billion. It is comprised of approximately 12,500 miles of pipelines that gather and transport refined petroleum products, crude oil, natural gas, liquefied petroleum gases (LPGs) and natural gas liquids, and includes one of the largest common carrier pipelines for refined petroleum products and LPGs in the United States. The price equates to $160,000/mile or $30.30/lf. As compared to the subject, this sale reflects a more desirable asset with a national distribution network. However, this is a tremendously large system which does not compare well to the subject's 5.51 mile length.

<u>SALES COMPARISON APPROACH</u> (Continued)

<u>Pipeline Sale 3</u>

Plains All American Pipeline, LP purchased a 21% interest in the Capline Pipeline System on January 4, 2010. The price was $64 million. It included a 21% interest in the 633 mile pipeline and a 100% interest in a 720,000 barrel terminal. The estimated allocated pipeline value is $38,800,000. This equates to a price of $291,883/mile or $55.28/lf. (21% of 633 miles = 132.93 miles – allocated value is $38.8 million or $291,883/mile). As compared to the subject, this sale reflects a more desirable asset with a national distribution network. However, it is a much larger system as compared to the subject's 5.51 mile length.

<u>Pipeline Sale 4</u>

Buckeye Partners, L.P. announced that it has completed the sale of its natural gas liquids (NGL) pipeline system to DCP Midstream Partners for $22 million in cash. This transaction occurred on January 28, 2010. The pipeline is 350 miles in length. The system transports NGLs from natural gas processing plants located in the Denver-Julesberg producing basin of northern Colorado to central Kansas. The price equates to $62,857/mile or $11.90/lf. However, it is a much larger system as compared to the subject's 5.51 mile length and located in a more rural area of the country.

In a separate release announcing its acquisition, DCP Midstream Partners said it plans to spend $18 million to connect the pipeline to its facilities.

<u>SALES COMPARISON APPROACH</u> (Continued)

<u>Pipeline Sale 4</u> (Continued)

DCP is investing capital to accommodate growing demand from its producers for natural gas gathering and processing capacity, including a new natural gas processing plant at its Mewbourn facility and a large diameter natural gas gathering pipeline. The plant expansion should be complete by early 2011.

The pipeline acquisition will maintain a “critical” outlet for increased NGL production in the DJ basin, said Tom O’Connor, Chairman, President and CEO of DCP.

<u>Pipeline Sale 5</u>

Plains All American Pipeline, L.P. announced that a subsidiary of Plains Midstream Canada ULC signed a definitive agreement to acquire all of the outstanding shares of Rainbow Pipe Line Company, Ltd. for approximately US$530 million. Rainbow's assets consist of 480 miles of mainline crude oil pipeline extending to Edmonton, Alberta from the terminus of Enbridge's Norman Wells Pipeline at Zama, Alberta, approximately 140 miles of gathering pipelines and approximately 570,000 barrels of tankage. The allocated pipeline value is $500,000,000 which equates to $1,041,667/mile or $197.29/lf. As compared to the subject, this sale reflects a more desirable asset with business intangibles. Like the other sales, this is a much larger system as compared to the subject’s 5.51 mile length.

Pipeline Sale 6

In December of 2009, Enterprise Products purchased a 70 percent interest in the Rio Grande Pipeline from HEP Navajo Southern, L.P., a subsidiary of Holly Energy Partners, L.P. The purchase price is $35 million. Enterprise serves as operator and BP retains its 30 percent ownership stake in the natural gas liquids (NGL) pipeline, which originates near Odessa, Texas in Ector County. The 265 mile, 8-inch diameter pipeline transports primarily butane/propane mix to a Pemex-owned connection at the Mexican border south of El Paso. From that point, Pemex transports the NGLs to its Mendez Terminal near Juarez, Mexico for distribution to consumers. This equates to a price of $188,679/mile or $35.73/lf. (70% of 265 miles = 185.5 miles – value is $35 million or $188,679/mile). However, it is a much larger system as compared to the subject's 5.51 mile length and in a more rural area.

Pipeline Sale 7

In August of 2010, Buckeye Partners increased their ownership interest in the West Shore Pipeline Company by 9.7% for a price of $13.4 million. Based on the systems total size of 650 miles, this purchase reflects a unit price of $212,529/mile (after adjusting for pro-rata %).

<u>SALES COMPARISON APPROACH</u> (Continued)

<u>Pipeline Sale 8</u>

In May of 2011, BP and Buckeye Partners had agreed to a transfer of 33 product terminals along with 1,000 miles of pipeline. A portion of the transaction was for a 50% interest in the 350 mile Inland Pipeline System. The cost was $60 million or $342,857/mile (after adjusting for pro-rata %). However, Inland Pipeline's other ownership partner had a right of first refusal, which was exercised. The Inland Pipeline is 350 miles in length and runs through Ohio.

<u>Pipeline Sale 9</u>

In May of 2011, Buckeye Partners sold its 20% non-operating interest in the West Texas LPG Pipeline System to Atlas Pipeline Partners for $85 million. The total system contains 2,205 miles of common carrier pipeline system that transports NGLs from locations in New Mexico and Texas to Mont Belvieu, Texas for fractionation. The sale price reflects a unit value of $185,185/mile (after adjusting for pro-rata %).

<u>Pipeline Sale 10</u>

In August of 2012, Kinder Morgan Energy Partners acquired 100% of the Tennessee Gas Pipeline (13,900 miles) and 50% of the El Paso Natural Gas Pipeline (10,200 miles). The purchase price was $6.22 billion. This equates to a unit price (after adjusting for pro-rata %) of $327,268/mile.

SALES COMPARISON APPROACH (Continued)

Pipeline Sale 11

In March of 2013, Spectra Energy Corporation acquired 100% ownership interest in the Express-Platte Pipeline System for $1.49 billion. The Express-Platte Pipeline System is a 1,717 mile crude oil transportation network that carries crude oil to U.S. refineries in the Rocky Mountain and Midwest regions of the United States. This sale price equates to a unit value of $867,793/mile, or $164.35/LF.

Pipeline Sale 12

In July of 2013, Magellan Midstream Partners LP acquired a 250-mile pipeline system from Plains All American Pipeline, L.P. for $57 million. The system delivers refined products from El Paso, Texas to Albuquerque, New Mexico, and Juarez, Mexico. The purchase price reflects a unit value of $228,000/mile, or $43.18/LF.

Pipeline Sale 13

In addition to Sale 12, Magellan Midstream Partners LP and Plains All American Pipeline, L.P. transferred in November 2013, a 550-mile common carrier pipeline that distributes refined petroleum products in Colorado, South Dakota, and Wyoming. At a sale price of $133 million, this reflects a unit value of $241,818/mile, or $45.80/LF.

SALES COMPARISON APPROACH (Continued)

Pipeline Sale 14

On November 30, 2015, it was announced with Kinder Morgan, Inc. and Brookfield Infrastructure Partners L.P. will acquire from Myria Holdings, Inc., the 53 percent equity interest in Natural Gas Pipeline Company of America LLC (NGPL) not already owned by them for a total purchase price of approximately $242 million. The transaction values NGPL at a total enterprise value of $3.4 billion inclusion of all debt. In includes 9,200 miles of pipeline, more than 1 million horsepower of compressor facilities and 288 billion cubic feet of working gas storage. Based on this valuation, the purchase price reflects a unit value of $369,565mile, or $69.99/LF.

Pipeline Sale 15

On July 26, 2018, it was announced that Oneok, Inc has acquired the remaining 20% interest in the East Texas LPG Pipeline LP from Martin Midstream Partners for $195 million. This equates to a 100% price of $975 million for 2,600 miles or $375,000/mile or $71.02/LF.

SALES COMPARISON APPROACH (Continued)

Conclusion

Since there are few local, small pipeline transactions, the appraiser has examined national pipeline transactions. However, many of these transactions are convoluted with other assets or include business intangibles. Below is a summary of the pipeline transactions:

Pipeline Sale 1	$535,714/mile or $101.46/lf	Part of network
Pipeline Sale 2	$160,000/mile or $30.30/lf	Purchase of pipeline company
Pipeline Sale 3	$291,883/mile or $55.28/lf	Purchase of partial interest
Pipeline Sale 4	$62,857/mile or $11.90/lf	Large pipeline/gathering system
Pipeline Sale 5	$1,041,667/mile or $197.29/lf	Purchase of pipeline company
Pipeline Sale 6	$188,679/mile or $35.73/lf	Purchase of partial interest
Pipeline Sale 7	$212,529/mile or $40.25/lf	Purchase of partial interest
Pipeline Sale 8	$342,857/mile or $64.94/lf	Purchase of partial interest
Pipeline Sale 9	$185,185/mile or $35.07/lf	Purchase of partial interest
Pipeline Sale 10	$327,268/mile or $61.98/lf	Purchase of pipeline companies
Pipeline Sale 11	$867,793/mile or $164.35/lf	Part of network
Pipeline Sale 12	$228,000/mile or $43.18/lf	Part of network
Pipeline Sale 13	$241,818/mile or $45.80/lf	Purchase of network
Pipeline Sale 14	$369,565/mile or $69.99/lf	Purchase of entire company
Pipeline Sale 15	$375,000/mile or $71.02/LF	Purchase of partial interest

SALES COMPARISON APPROACH (Continued)

Conclusion (Continued)

Based on the results of the Cost Approach, it reflects a value $584,755/mile or $110.75/linear foot. The above sales range from $62,857/mile to $1,041,667/mile with an average of $362,054/mile or $68.57/lf. Based on the conclusions of the Cost Approach, the subject's value is above the average indicated by the above sales. However, the subject is much smaller in length and it is situated in a densely industrialized area which is adjacent to various petroleum users, terminals and refineries. On the other hand, the subject is mostly closed and it will not appeal to many potential users.

In conclusion, the indications by the Sales Comparison Approach corroborate the Cost Approach values.

INCOME VALUATION

In utilizing the Income Approach to value, the appraisers are concerned with the present worth of the future potential benefits of a property. This is generally measured by the net income which a fully informed person is warranted in assuming the property will produce during a foreseeable period. This net income is next capitalized into an estimate of value. The Income Approach requires assembling and processing of various income and expense data, to wit:

1. Estimating a rent schedule and percentage of occupancy for the subject property. This generally provides gross rental data and trends in rental and occupancy.

2. Obtaining rent schedules, occupancy and expense analyses of comparable properties.

3. Estimating expense data and operating costs for the subject property, if possible.

4. Selecting the appropriate capitalization rate and the applicable technique for processing the net income.

The first step in the Income Approach is to determine the proper economic income for the subject property.

INCOME VALUATION (Continued)

In the case of the subject, only Segment 2 is in service and generating income. The lease was signed in 1993 and re-negotiated several times. The current annual rent is $358,826. The tenant will maintain and operate the pipeline. Tenant has right of first refusal to purchase the leased pipeline.

Based on the appraiser's discussion with petroleum related companies along with SEC filings for several pipeline companies, operating expenses range from 30% to 70%. In addition, our examination of other pipeline companies and terminal operations indicate similar expense ratios. Based on the pipeline's location, age and distance, an expense ratio of 30% is indicated. The ratio has been increased to 35% to account for reserves for replacement and future capital expenditures.

Based on the above, the existing lease reflects a value as follows:

Gross Annual Income		$ 358,826
Less:		
Expenses: 30%	$ 107,648	
Reserves: 5%	$ 17,941	
Total Expenses:		($ 125,589)
NOI		$ 233,237
Capitalized at 13%		$1,794,130

INCOME VALUATION (Continued)

The above conclusion is above the indicated value by the Cost Approach of $1,262,000 for Segment 2.

Since Segments 1 and 3 are out of service, an Income Value has not been determined.

CONVERSION OF VALUE TO RENT

The final step for this appraisal is to convert the above Pipeline and ROW values to an annual rental amount. To perform this procedure, the techniques of the Income Approach with direct capitalization have been utilized. With the Income Approach, the appraiser estimates a rental rate and then divides it by a direct capitalization rate to arrive at a market value. For the subject, the appraiser has first estimated value. To convert this Pipeline and ROW value to a rental rate, it is multiplied by an appropriate capitalization rate.

Capitalization Rate Selection

To select a capitalization rate for the subject, we have examined other rates based on published reports and market transactions. First, institutional national industrial warehouse capitalization rates were examined from Korpacz National Real Estate Investor Survey. The rates range from 5.0% to 7.75%. Due to the nature of this facility and risks associated with the business, the national rates would be increased for the subject. A second source for capitalization rates was acquired through our experience and discussions with various petroleum companies. With the market being strongly influenced by MLPs, investment firms and other recent charges in the industry, capitalization rates have been driven downwards. Current capitalization rates range from 8% to 14 %.

CONVERSION OF VALUE TO RENT (Continued)

Capitalization Rate Selection (Continued)

The final source is from market transactions. The appraisers have examined sales of oil terminals, petroleum properties and companies. Since these facilities, like the subject, deal with environmentally sensitive items, the capitalization rates reflect the risk of this property and business.

These rates are included below:

Sale 1 – In June of 2002, TEPPCO purchased a pipeline system from Burlington Resources for $444 million. It is expected to generate $60 million in earnings before interest, taxes, depreciation and amortization. Based on this transaction, it reflects a capitalization rate of 13.51%.

Sale 2 – Ashland Paving, a division of Marathon Petroleum, was sold to CHR on 8/21/2006. The purchase price was $1.3 billion. NOI at the time of sale was $220 million for a rate of 16.92%.

Sale 3 – CHR sold portions of the Ashland properties on 12/12/2006 for $215 million with and NOI of $30 million for a rate of 13.95%.

Sale 4 – On November 15, 2006, Westway sold an operating oil, chemical and asphalt terminal. The indicated capitalization rate was 13%.

Sale 5 – Kinder-Morgan purchased 5 storage terminals (handling gas, diesel and oil) from Shell at an indicated capitalization rate of 11.5%. This sale occurred in 2004.

Sale 6 – Global Partners, LP purchased 3 terminals from ExxonMobil (Newburgh and Albany, NY and Burlington, VT) in May of 2007. The indicated capitalization rate is 16.71%.

Sale 7 – Global Partners, LP purchased 2 terminals from ExxonMobil (Glenwood Landing and Inwood, NY) in November of 2007. The indicated capitalization rate is 16.09%. The actual capitalization rate would be lower after deducting corporate overhead and reserves.

CONVERSION OF VALUE TO RENT (Continued)

Capitalization Rate Selection (Continued)

Sale 8 – Buckeye Partners, LP purchased a petroleum storage terminal in Wethersfield, CT. The seller was the Hess Corporation and it transferred in June of 2008 for $5,500,000. Hess remained as a long term thru-put tenant. Based on estimated volumes and expenses, the indicated capitalization rate is 10%.

Sale 9 – BP sold its Phoenix, AZ terminal to Circle K in the first quarter of 2009 for $17,500,000. Based on projected volumes, the indicated capitalization rate is 21.7%.

Sale 10 – Buckeye Partners, LP purchased a petroleum storage terminal in Perth Amboy, NJ for $260,000,000 in 2012. Based on the income at time of sale, it indicates a capitalization rate under 10%. However, this sale is misleading do to the high amount of tankage out of service, excess land and the motivations of Buckeye to pay a significant premium to acquire this NY Harbor terminal location.

Sale 11 – In the 4th quarter of 2012, an investment firm purchased a terminal company which owns 3thru-put facilities. Based on current NOI (trailing), the cap rate is 8% with the estimated forward (2013) income having a cap rate of 10%. The seller was Blackwater Midstream Corporation and the buyer was Arc Light Capital.

Sale 12 – In December of 2013, Buckeye purchased Hess's network of east coast terminals including the St. Lucia terminal. Based on the 2013 budgeted EBITDA figures, the indicated capitalization rate was 11.18% and the multiplier was 8.95X. The purchase price was $850 million.

Sale 13 – January, 2014, a former Chevron Facility was purchased and then subsequently leased at a 12% capitalization rate. This terminal is on the Willamette River with 84 tanks and 1.4 million barrels of capacity

Sale 14-- In May of 2016, a light products terminal was transferred in Atlanta. The sales price was $55 million and the net income was $5.7 million for an indicated cap rate of 10.4%.

Sale 15-- In the end of 2016, a large crude oil and refined products terminal sold in Corpus Christie, TX at a cap rate of 12.6%.

Sale 16-- In 2016, Sprague announced that purchased a light products terminal in Long Island, NY. Purchase priced to be $70 million with EBITDA of $8 to $10 million. Indicated cap rate is between 11.7% and 14.3%.

CONVERSION OF VALUE TO RENT (Continued)

Capitalization Rate Selection (Continued)

In order to select a capitalization rate, several items were analyzed. These items include the strength of the tenant, the length of the lease, economic conditions, environmental risk and other risk related issues. Based on the cited sources and other risk and market factors, a final capitalization rate of 13% is concluded.

Therefore, the following is indicated:

Value X	Cap. Rate	=	Annual Rent
Segment 1: Net Value	$1,340,000 X .13	=	$174,200
Segment 3: Net Value	$ 620,000 X .13	=	$ 80,600
Segment 2: Net Value – 1953 Section	$ 700,000 X .13	=	$ 91,000
Segment 2: Net Value – 1972 Section	$ 562,000 X .13	=	$ 73,060
Segment 2 Total Annual Rent		=	$164,060*

**** Since Segment 2 is leased at $358,826, more weight is applied to the actual lease rate. Concluded rent for Segment 2 is $359,000***

CERTIFICATION

We certify that, to the best of our knowledge and belief, except as otherwise noted in this report:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions and conclusions.

3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

4. My compensation or completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

5. This appraisal report has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), effective January 1, 2018. The report is consistent with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

6. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

CERTIFICATION (Continued)

7. As of the date of this report, Gregg Manzione has completed the continuing education program for Designated Members of the Appraisal Institute.

8. Gregg Manzione has made a personal limited inspection of the property that is the subject of this report.

9. No one provided significant professional assistance to the persons signing this report.

10. This appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

11. Our firm appraised this property in 2016.

12. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

Respectfully submitted,

Gregg Manzione, MAI
Partner
NJ License # RG00378

QUALIFICATIONS OF THE APPRAISER

GREGG MANZIONE, MAI

EDUCATIONAL BACKGROUND

Ohio University, Athens, Ohio

Appraisal Institute

Real Estate Appraisal Principles
Basic Valuation Procedures
Residential Valuation
Standards of Professional Practice
Capitalization Theory and Techniques, Part A
Capitalization Theory and Techniques, Part B
Case Studies in Real Estate Valuation
Valuation Analysis and Report Writing
Numerous Continuing Educational Seminars and Courses

AFFILIATIONS

Licensed New Jersey Real Estate Salesperson

Member, Appraisal Institute (MAI)
(Certificate No. 8383)

New Jersey State Certified Appraiser
(License No. RG00378)

Certified General Real Estate Appraiser
Commonwealth of Pennsylvania (#GA-000955-R)

New York State Certified General Appraiser
(License No. 46000018865)

Connecticut State Certified General Appraiser
(License No. 00000392)

<u>QUALIFICATIONS OF THE APPRAISER</u> (Continued)

GREGG MANZIONE, MAI

SPECIALIZIED EXPERIENCE

Since our company's inception in 1977, we have maintained a special valuation niche with the petroleum and chemical industry. Over the past 30+ years, I have performed thousands of petroleum and chemical property appraisals. Our clients are Exxon Mobil, Chevron Texaco, BP, Shell, Sunoco, Hess, Valero, Hexion, BASF, DuPont, Tesoro, Marathon, LukOil, Buckeye, Kinder-Morgan, Citgo, Flint Hills-Koch, TransMontaigne, IMTT, Gulf-Cumberland, US Oil, and other major and secondary petroleum companies. My appraisal specialization includes the following property types:

1. Bulk Petroleum Storage Terminals
2. Bulk Liquid Chemical Storage Terminals
3. Asphalt Storage Terminals
4. Refineries
5. Gas Stations
6. Pipelines
7. Lube Facilities
8. Home Heating Oil Companies
9. Pumping stations and crude oil jugs

Our firm is the only valuation and consulting company which owns and operates a brokerage company that specializes in the buying, selling and leasing of petroleum storage terminals and assets on a national and international level.

GENERAL EXPERIENCE

Approved Appraiser for United States Post Office.

Appraisal of Real Property for Insurable Values, Acquisition and Disposition Values and Mortgage Loans. Consultation for Corporations, Lawyers, Engineers, Accountants and Various Governmental and/or quasi-Governmental Bodies. Appraiser has testified as an expert witness on the Local, County, State and Federal levels.

Scope of Assignments Completed Includes:

> Appraisals of diverse local and national properties, such as: industrial, office, R&D, apartments, shopping centers, vacant land, wetlands and various other property types. Appraisals of petroleum product terminals and industrial properties throughout the U.S., Canada, Caribbean, Australia and the Pacific Rim. Partial list of clients - Alcoa, BP, Bank of America, Citgo, Johnson & Johnson, Merck, Nordstrom, Prudential, Wal-Mart

QUALIFICATIONS OF THE APPRAISER

GREGG MANZIONE, MAI

GUEST LECTURER

American Bar Association and Institute of Property Taxation Joint Seminars - 1994 and 1999, New Orleans, Louisiana

Institute of Property Taxation Seminar and Conference - Orlando, Florida - 1993

Appraisal Institute, Rochester Chapter 1993 - HP19C Seminar

Developed and Taught 1994 and 1995 Advanced Real Property School for Institute of Property Taxation at Texas A&M

Chaired, Developed and Taught 1997, 1998, 1991, 2000 and 2001 Advanced Real Property School for Institute for Professionals in Taxation.

Developed and Presented Advanced Real Estate Appraisal Seminar to McDonald's Tri-State Regional Offices, 1997 and 1998.

Developed and Presented Petroleum Property Valuation Seminar – From Service Stations to Refineries for the Central Connecticut Assessor's Organization, 2000.

Speaker, International Liquid Terminal Association (ILTA) – Houston – National Conference – 6/2003; 6/2006; 6/2008

Speaker, Western States Petroleum Association (WSPA) – Tahoe, CA – 9/2005 National Conference

Speaker, International Liquid Terminal Association (ILTA) – Woodbridge, NJ – 10/2009 Northeast Regional Conference

Speaker, Tank Storage Canada Expo and Conference – Montreal, Quebec – 10/2009 North American Conference

Featured Speaker, International Liquid Terminal Association (ILTA) – Houston – National Conference – 6/2011; 6/2014; 6/2015

Speaker, Tank Storage Canada Expo and Conference – Calgary, Alberta – 10/2011 North American Conference

QUALIFICATIONS OF THE APPRAISER

GREGG MANZIONE, MAI

GUEST LECTURER (Continued)

Speaker, IPT (Institute for Professionals in Taxation) 2011 Property Tax Symposium, Monterey, California – 11/2011

Speaker, API (American Petroleum Institute) 2012 Storage Tank Conference, San Diego, California, 10/2012

Speaker, International Aboveground Storage Tank Conference & Trade Show for NISTM, Orlando, FL – 4/2016; 4/2018

Featured Speaker, International Liquid Terminal Association (ILTA) – Leadership Forum, Tampa, FL – 12/2016

2016 President, Metro New Jersey Chapter of the Appraisal Institute

Speaker, IPT (Institute for Professionals in Taxation) Property Tax Symposium, Indian Wells, California – 11/2017

Speaker, International Liquid Terminal Associates (ILTA) – Annual Conference, Houston, TX – 6/2018

ADDENDA

PIPELINE COSTS

Normal operating pressure, long-run (over 5 miles in length), cross-country, welded steel, underground oil and gas transmission lines, not including compressors, pumping stations, bridges, etc. Costs are smoothed averages of contract costs excluding extremes. The normal range is from 75% to 150% of the listed costs, depending on length and type of pipe and pipe protection, terrain and geology, climate, location, etc.: e.g., the shorter the run, the more difficult, complex or urbanized the site, the higher the costs. Right-of-way costs are not included.

SIZE	COST RANGE (Per Mile)			SIZE	COST RANGE (Per Mile)		
(Diam.)	Low	Average	Good	(Diam.)	Low	Average	Good
6"	267000.00	490000.00	895000.00	20"	710000.00	1120000.00	1753000.00
8"	304000.00	520000.00	924000.00	24"	852000.00	1383000.00	2199000.00
10"	322000.00	573000.00	1008000.00	30"	1120000.00	1688000.00	2540000.00
12"	334000.00	602000.00	1078000.00	36"	1562000.00	2164000.00	2981000.00
16"	483000.00	852000.00	1531000.00	42"	2021000.00	2717000.00	3661000.00