



October 20, 2022

VIA EMAIL

Office of the Secretary
Attention: Carmen Diaz
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor
Suite 314
P.O. Box 350
Trenton, New Jersey 08625-0350

RE: *I/M/O The Rate Schedule CSG Transportation Service Agreement Between Public Service Electric and Gas Company and Marcal Manufacturing, LLC*

BPU Docket No. GR22080486

EXPEDITED TREATMENT REQUESTED

Dear Acting Secretary Diaz:

On behalf of Public Service Electric and Gas Company ("PSE&G"), we hereby submit this Letter Petition for Extension of CSG Service Agreement, and the Service Agreement Extension between PSE&G and Marcal Manufacturing, LLC formerly d/b/a Soundview Paper Company, LLC ("Marcal"), the Affidavit of Stephen Swetz, Sr. Director - Corporate Rates and Revenue Requirements for PSEG Services Corporation in support of the confidential treatment requested for portions of the Service Agreement as identified and requested herein, and a copy of the Confidential Version of the Service Agreement in a sealed envelope marked "Confidential."

This filing is submitted pursuant to PSE&G's Rate Schedule CSG-Contract Service Gas as set forth in its Tariff for Gas Service on file with and approved by the New Jersey Board of Public Utilities ("Board") – B.P.U. N.J. No. 16 Gas. The Service Agreement Extension seeks to continue the rates, terms and conditions under which PSE&G currently provides natural gas transportation services to the Marcal facilities in Elmwood Park, New Jersey.

PSE&G respectfully requests that the Board issue an order approving the enclosed Service Agreement Extension on an expedited basis as set forth herein.

NOTICES

PSE&G and Marcal designate the following individuals to receive notices and other communications concerning the enclosures:

For PSE&G:

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BACKGROUND

The original CSG Service Agreement by which Marcal receives its natural gas service was approved by the Board on November 16, 2015 for a seven-year term, effective December 1, 2015, and ending on December 1, 2022. At the time of approval, the Board recognized the importance of avoiding the loss of load that contributes to the maintenance of the PSE&G distribution system in the event Marcal would leave the system.¹

On September 27, 2019, the Board also approved Marcal's petition for SBC discount, providing Marcal with a 75% discount of the total SBC rate for both electric and natural gas service. The Board approved the discounted electric and gas SBC rates for services rendered through December 1, 2022, the date that the CSG Agreement between Marcal and PSE&G expires. This approval envisioned the potential need for Marcal to return to the Board to seek an extension of the reduced SBC rates "based on substantially similar financial conditions underlying Marcal's SBC Petitions before the Board," and therefore directed Marcal to file a new petition in advance of December 1, 2022 should an extension be necessary.

In accordance with Rate Schedule CSG, Marcal submitted an application seeking to extend its discounted rates under the "Other Considerations" portion of Rate Schedule CSG for an additional three (3) years for its facilities. Marcal is also requesting to have its Societal Benefits Charge ("SBC") discount of 75% extended for this three year term. PSE&G reviewed the information set forth in Marcal's application, and while the Company takes no position on the request for SBC discount, it has extended an offer for an extension of its discounted gas service to prevent a loss of load.

PSE&G RATE SCHEDULE CSG

In Docket Nos. GR10100761 and ER10100762, the Board conducted and completed a proceeding in which it examined the standards applicable to gas transportation discounts and associated terms and conditions.² Subsequently, the Board approved modifications to PSE&G's tariff, including the establishment of Rate Schedule CSG, to enable PSE&G to provide discount rates to counter Economically Viable Bypass threats or "Other Considerations."³ The CSG tariff, at sheet 112, paragraph 2, requires Board approval of agreements that PSE&G enters into under that tariff.

Pursuant to PSE&G's Rate Schedule CSG, a customer may seek a discounted rate from PSE&G for transportation service based on an "economically viable bypass alternative" or "other considerations".

¹ 2015 CSG Order at 3.

² See *I/M/O Generic Proceeding to Consider Prospective Standards for Gas Distribution Utility Rate Discounts and Associated Contract Terms and Conditions*, BPU Docket Nos. GR10100761 and ER10100762, Order (August 18, 2011).

³ See *I/M/O Generic Proceeding to Consider Prospective Standards for Gas Distribution Utility Rate Discounts and Associated Contract Terms and Conditions; Public Service Electric and Gas Company's Compliance Filing to Implement the Tariff Changes*, BPU Docket No. GT11090616, Order (May 23, 2012).

MARCAL'S "OTHER CONSIDERATIONS"⁴

Founded in 1932, Marcal Paper Products became a leading towel and tissue product manufacturer for private label and retail customers. Nicholas Marcalus first launched the family-owned business, which became regarded as a powerful symbol of advanced manufacturing, customer value, and environmentally-sound economic progress. Marcal has a history of innovation and dedication to the recycled paper manufacturing process, having pioneered technology that recycles wastepaper into pulp. Marcal has received numerous awards and is known as one of the most environmentally conscious companies operating in the industry.

Between 2006 and 2012 (prior to ownership by Soundview), Marcal experienced significant financial difficulties, leading to substantial downsizing and approximately 300 layoffs between 2008 and 2012. Since 2012, Marcal invested significantly in the company with a focus on modernization and increasing converting capacity at the Mill. That investment reduced Marcal's significant operating losses and returned the Marcal Mill to sales growth.

The Marcal Paper Mill has served as a vital part of New Jersey's remaining, and shrinking, manufacturing base. The Mill's operations have supported several hundred jobs in related industries across New Jersey. Prior to the January 2019 Fire, Marcal spent approximately \$60 Million annually purchasing goods and services from New Jersey companies. In addition, Marcal has supported local charities in New Jersey. In 2018, Marcal paid \$4.75 Million in payroll taxes, sales and use tax, and property taxes. The company had a total payroll of \$34.7 Million. In 2021, Marcal paid \$2,573,019.17 in payroll taxes, \$542,673.76 in total property taxes, and \$1,036,044.54 in other total taxes (including gross income, NJ Litter Control, NJ Sales & Use, and spill tax) to the State of New Jersey. Marcal paid a total of \$4,151,737.47 in taxes to the State of New Jersey for 2021.

Instead of enjoying growth and prosperity, the Marcal Mill endured economic stagnation in recent years and remained threatened by the risk of diminished production or closure. As industry margins become more compressed, Marcal worked to control its costs to remain competitive. However, Marcal's energy-related costs were higher than those of competitors in the paper industry, putting the Marcal Mill at a distinct competitive disadvantage. Energy costs, including state-imposed costs like the SBC, account for a significant portion of the Marcal Mill's operating expenses, production costs, and the cost of goods sold. Accordingly, Marcal has petitioned the BPU for relief by requesting reductions to the SBC associated with Marcal's electric and natural gas distribution service from PSE&G.

The Company acknowledges Marcal's long standing as an employer of hundreds of New Jersey residents and its contribution to the State's economy. Additionally PSE&G recognizes that energy costs play a significant role in Marcal's ability to stay competitive in the marketplace and to keep its facilities in New Jersey operating.

PSE&G has reviewed the information set forth in Marcal's application for CSG Service, and has had additional discussions with the parties, and avers that it is reasonable to extend Marcal's CSG rate as included in the attached Service Agreement. The rate arrangement in the

⁴ The recitation of facts in this section have been verified by Marcal in the Company's Petition for Extension of its Electric and Natural Gas Societal Benefits Charges, BPU Docket No. GR22080486, filed August 12, 2022.

attached agreement is expected to maintain gas load, assure receipt of revenues, and potentially attract new load and new investment in New Jersey. The rates proposed exceed marginal costs.

CONFIDENTIALITY AND REQUEST FOR EXPEDITED TREATMENT

PSE&G and Marcal hereby request that the Board maintain the volumes of usage in this agreement as confidential indefinitely and maintain rates in this amended agreement as confidential until approved by a final Board Order. A Confidential Copy of the Amended Service Agreement and Attachment A is filed with the Board with this letter in accordance with its rules for confidential treatment of documents and will be provided to the parties to this proceeding.

In light of the fact that Marcal is at risk for losing its current discounted rate and paying a higher rate for gas transportation service each day until the Board acts on this Petition, Marcal has asked that PSE&G request expedited treatment of this matter before the Board.

CONCLUSION

PSE&G respectfully requests that the Board issue an order approving the attached Service Agreement. In addition, PSE&G respectfully requests such Order be issued as soon as possible.

This letter and the attached Amended Service Agreement are being served on Brian Lipman Esquire, Director of the Division of Rate Counsel, and Matko Illic of the Division of Law.

If you have any questions, please contact the undersigned. Thank you for your attention to this matter.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Danielle Lopez", with a stylized flourish at the end.

Danielle Lopez

C Division of Rate Counsel
 Division of Law
 Attached service list

<i>I/M/O The Rate Schedule CSG Transportation Service Agreement Between Public Service Electric and Gas Company and Marcal Manufacturing, LLC</i>	<i>BPU Docket No.</i>
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VERIFICATION

I, Stephen Swetz, Sr. Director - Corporate Rates and Revenue Requirements for PSEG Services Corporation, have reviewed forgoing the letter petition of PSE&G in this matter. I have knowledge of the facts set forth herein and hereby state that they are truthful and accurate to the best of my knowledge and belief.



Stephen Swetz