



Agenda Date: 4/15/15  
Agenda Item: 2B

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC )  
SERVICE ELECTRIC AND GAS COMPANY TO )  
REVISE ITS WEATHER NORMALIZATION CHARGE )  
FOR THE 2014-2015 ANNUAL PERIOD )  
)  
) DOCKET NO. GR14070656

**Parties of Record:**

**Matthew M. Weissman, Esq.**, for Public Service Electric and Gas Company  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD<sup>1</sup>:

**BACKGROUND**

On July 1, 2014, Public Service Electric and Gas Company (“PSE&G” or “the Company”) filed a petition (“Petition”) with the New Jersey Board of Public Utilities (“Board”), requesting approval of its proposed Weather Normalization Charge (“WNC”) credit of 3.3965 cents per balancing therm, including Sales and Use Tax (“SUT”), for the winter period of October 1, 2014 through May 31, 2015 (“2014-2015 Winter Period”). The WNC requires PSE&G to calculate the level by which the Company’s margin revenues differ from what the Company would have collected if normal weather, based upon a twenty-year rolling average of heating degree days, had occurred<sup>2</sup>. The WNC rate is applicable to Rate Schedules Residential Service Gas (“RSG”), General Service Gas (“GSG”) and Large Volume Gas (“LVG”), as reflected in B.P.U.N.J. No. 15 Gas Tariff Sheet Nos. 45, 46 and 47 (“WNC Tariff”).<sup>3</sup> Any excess or deficiency in margin revenues when compared to normal is subsequently credited or charged to customers in the next year’s winter period of October 1 through May 31 (“Winter Period”).

<sup>1</sup> Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

<sup>2</sup> Margin revenues are distribution revenues from relevant rate classes’ per therm charges.

<sup>3</sup> The WNC Tariff was approved by Board Order dated July 9, 2010, In the Matter of the Petition of PSE&G for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, Docket No. GR09050422, as part of the settlement of the Company’s base rate case.

The Petition requested Board approval to refund \$44,695,945 comprised of a margin revenue excess from the 2013-2014 Winter Period of \$41,809,311, and an over-collected balance of \$2,886,634 to be refunded during the 2014-2015 Winter Period.

By Order dated September 30, 2014, the Board approved a stipulation entered into by the Company, Board Staff, and the Division of Rate Counsel, (collectively, "the Parties"), establishing a provisional WNC rate of a credit of 3.3965 cents per balancing therm for the 2014-2015 Winter Period for customers that receive commodity service from PSE&G on Rate Schedules RSG, GSG and LVG. This provisional rate was subject to refund after true-up. Based upon rates in effect at the time, the annual bill for typical PSE&G residential gas heating customers using 160 therms on a monthly basis and 1,050 therms on an annual basis decreased from \$1,081.02 to \$1,049.68, or by \$31.34 (2.90%).

On November 26, 2014, the matter was forwarded to the Office of Administrative Law where it was assigned to Administrative Law Judge ("ALJ") Tiffany M. Williams.

#### **SETTLEMENT FOR THE FINAL WNC RATES<sup>4</sup>**

Following further review and discussions, the Parties entered into the attached Settlement for Final WNC Rates ("Settlement") dated March 19, 2015, the key elements of which are as follows:

- 1) The Parties request that the Board issue an Order confirming as final the return by the Company of \$44,695,945 during the 2014-2015 Winter Period to PSE&G gas customers who take service through Rate Schedules RSG, GSG and LVG.
- 2) The Parties request that the Board approve as final the Company's WNC rate of a credit of 3.3965 cents per balancing therm (including SUT).
- 3) The Parties acknowledge that the Company's WNC reflected in Tariff Sheet Numbers 45, 46 and 47 attached to the Settlement as "Attachment A", and customers' bills will not change as a result of the settlement.

On March 23, 2015, ALJ Williams issued an Initial Decision approving the Settlement, finding that the Parties had voluntarily agreed to the terms of the Settlement and that the Settlement disposes of all matters in controversy and is consistent with the law.

#### **DISCUSSION AND FINDING**

The Board, having carefully reviewed the record in this proceeding and the attached Settlement, **HEREBY FINDS** that there has been a full review of the Company's WNC for the period at issue and, therefore, the Settlement is reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Settlement as its own as if fully set forth herein.

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<sup>4</sup> Although summarized in this Order, the detailed terms of the Settlement control, subject to the findings and conclusions of this Order.

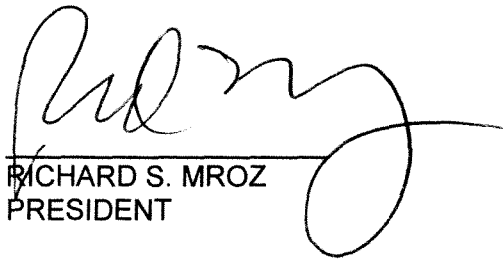
The Board **HEREBY ORDERS** that the existing WNC rate of a credit of 3.3965 cents per balancing term (including SUT) remain in effect and shall be deemed the final WNC rate for the 2014-2015 Winter Period.

The Board **HEREBY APPROVES** the tariff sheets attached to the Settlement as conforming to the terms and conditions of this Order.

The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

DATED: 4/15/15

BOARD OF PUBLIC UTILITIES  
BY:



RICHARD S. MROZ  
PRESIDENT



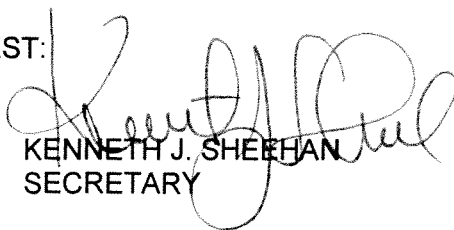
JOSEPH L. FIORDALISO  
COMMISSIONER



MARY-ANNA HOLDEN  
COMMISSIONER

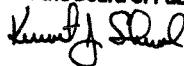


DIANNE SOLOMON  
COMMISSIONER

ATTEST: 

KENNETH J. SHEEHAN  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
TO REVISE ITS WEATHER NORMALIZATION CHARGE FOR THE 2014-2015 ANNUAL  
PERIOD - DOCKET NO. GR14070656

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March 19, 2015

In the Matter of the Petition of  
Public Service Electric and Gas Company to  
Revise its Weather Normalization Charge (WNC)  
For the 2014-2015 Annual Period

BPU Docket No. GR14070656

*VIA ELECTRONIC & REGULAR MAIL*

Kenneth J. Sheehan, Secretary  
New Jersey Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
P.O. Box 350  
Trenton, New Jersey 08625

Dear Secretary Sheehan:

Enclosed for filing, please find a fully executed Settlement for the Final WNC Rates in the above-referenced proceeding.

Please feel free to contact me with any questions you may have regarding this submittal.

Respectfully submitted

A handwritten signature in cursive script that reads "Matthew Weissman".

C Attached Service List

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STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF ) SETTLEMENT  
PUBLIC SERVICE ELECTRIC AND GAS ) FOR THE FINAL WNC RATES  
COMPANY TO REVISE ITS WEATHER )  
NORMALIZATION CHARGE (WNC) FOR ) BPU Dkt. No. GR14070656  
THE 2014-2015 ANNUAL PERIOD )

APPEARANCES:

**Matthew M. Weissman**, General Regulatory Counsel - Rates, for the Petitioner, Public Service Electric and Gas Company

**Felicia Thomas-Friel, Esq.**, Deputy Rate Counsel, Division of Rate Counsel; **Sarah H. Steindel, Esq.** and **Christine M. Juarez**, Assistant Deputy Rate Counsels, for the New Jersey Division of Rate Counsel (**Stefanie A. Brand**, Director)

**Alex Moreau and T. David Wand**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (John Jay Hoffman, Acting Attorney General of New Jersey)

On July 1, 2014, Public Service Electric and Gas Company (PSE&G or the Company) filed its Petition with the Board of Public Utilities (Board or BPU), requesting approval to return \$44,695,945 in over-recovered revenue through the Weather Normalization Charge (WNC) to customers receiving service under Rate Schedules Residential Service (RSG), General Service (GSG) and Large Volume Gas (LVG) during the Winter Period of October 1, 2014 to May 31, 2015. See B.P.U.N.J. No. 15 Gas Tariff Sheet Nos. 45, 46, and 47 (WNC Tariff). As part of this Petition, PSE&G proposed a WNC rate for the 2014-2015 Winter Period of (\$0.031743) ((\$0.033965) including Sales and Use Tax (SUT)) per balancing therm (i.e., a credit of \$0.031743 per therm without SUT and \$0.033965 per therm including SUT) applicable to Rate Schedules RSG, GSG

and LVG. The proposed rate per Balancing Therm reflected the actual results for the 2013-2014 Winter Period to be refunded to customers during the 2014-2015 Winter Period, with incorporation of the one adjustment described below, and represents a total amount to be returned of \$44,695,945.

The WNC Tariff was first approved by the Board on July 9, 2010, as part of the Stipulation of Settlement of PSE&G's 2009 base rate case. Decision and Order Adopting Initial Decision with Modifications for Gas Decision, *I/M/O the Petition of PSE&G for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service*, Dkt. No. GR09050422 (July 2010 Order). The BPU approved the permanent 2013-2014 PSE&G WNC and Tariff on April 24, 2014. Decision and Order, *I/M/O the Petition of PSE&G to Revise Its Weather Normalization Charge*, Dkt. No. GR13070615 (April 24, 2014) (the 2013-2014 WNC Order).

In calculating the proposed WNC, PSE&G represents that it has utilized calculations required by the July 2010 Order and reflected in PSE&G's WNC Tariff. Specifically, PSE&G is required to calculate, at the end of each October-to-May period (Winter Period), the level by which margin revenues differed from what would have resulted if normal weather had occurred. The base level of normal degree days for the 2013-2014 Winter Period is defined in PSE&G's WNC Tariff. As approved by the Board, any excess or deficiency is to be credited or recovered in the following year during the Winter Period through the WNC.



In accordance with the WNC Tariff, PSE&G represents that it has trued-up the Degree Day Consumption Factors utilized in the determination of the proposed WNC at the end of the Winter Period. In addition, the revised WNC Tariff Sheets developed by PSE&G and included in the Petition reflect updated Degree Day Consumption Factors for the 2014-2015 Winter Period. These calculations establish a margin revenue excess of \$41,809,311 resulting solely from the 2013-2014 Winter Period. Only this component of the total deficiency originated from the recent 2013-2014 Winter Period. In calculating the 2014-2015 WNC recovery request, PSE&G represents that it made one adjustment to the margin revenue deficiency in accordance with the WNC Tariff. Specifically, the Company has included an over-collection of the remaining 2012-2013 carryover WNC balance, which totals \$2,886,634 as of May 31, 2014 and increases the amount to be refunded in the 2014-2015 Winter Period.

Following the filing of the Petition, PSE&G, Board Staff, and the Division of Rate Counsel ("Parties"), the only Parties to this proceeding, discussed certain matters at issue herein. As a result of those discussions, the Parties determined that additional time was needed to complete the review of the proposed WNC and other aspects of the Company's filing. However, the Parties also agreed that modification of the Company's proposed WNC for the 2014-2015 Winter Period, on a provisional basis, was reasonable at the time, and they entered into a Provisional Settlement. Among other things, the Provisional Settlement provided that changes to the WNC were "on a provisional basis, subject to true-up of the earnings for the Annual Period..." Provisional Settlement at

Para. 3. As a result of the stipulated provisional WNC rate, PSE&G's typical residential gas heating customers using 160 therms per month during the winter months and 1,050 therms on an annual basis would see a decrease in the annual bill from \$1,081.02 to \$1,049.68 or \$31.34 or approximately 2.90% based upon Delivery Rates and BGSS-RSG charges in effect on July 1, 2014, when compared to the 2013-2014 WNC Winter Period Rate, assuming that the customer receives gas commodity service from PSE&G.

The Provisional Settlement was approved by the Board by Order dated September 30, 2014, and the provisional WNC of (\$0.031743) ((\$0.033965) including SUT) per balancing therm applicable to Rate Schedules RSG, GSG and LVG for the 2014-2015 Winter Period was implemented effective October 1, 2014. See Decision and Order Approving Stipulation for Provisional WNC Rates, *I/M/O the Petition of Public Service Electric and Gas Company to Revise Its Weather Normalization Charge*, Dkt. No. GR14070656 (September 30, 2014); see also Gas WNC Tariff Sheet Nos. 45, 46 and 47 (attached). The existing tariff sheets, reflecting the Board's provisional approval of the WNC rate proposed in the Company's filing, are attached as Attachment A to this Settlement.

On February 5, 2015 PSE&G submitted responses to interrogatories issued by Rate Counsel. In its response to RCR-1, the Company provided 12 months of actual financial data including an update to reflect any over/under collections from customers through September 30, 2014. The updated combined excess amount of \$44,664,950 represents the amount to be refunded in the 2014-2015 Winter Period. Although the

updated schedules result in a lower amount to be refunded, the Company is not proposing any change to the rates requested in the Petition and approved provisionally by the Board on September 30, 2014.

**The Parties have further discussed this matter and stipulate as follows:**

- 1) The Parties request that the BPU issue an Order confirming as final the return by the Company of \$44,695,945 during the 2014-2015 Winter Period to PSE&G gas customers who take service through Rate Schedules RSG, GSG and LVG.
- 2) The Parties stipulate and request that the BPU approve as final, PSE&G's WNC of (\$0.031743) ((\$0.033965) including SUT) per balancing term applicable to Rate Schedules RSG, GSG and LVG for the 2014-2015 Winter Period. PSE&G's WNC reflected in Tariff Sheets Numbers 45, 46 and 47 (provided in Attachment A) and customers' bills will not change as a result of this settlement for the final WNC.
- 3) The Parties agree that this Settlement for the final WNC reflects mutually balancing interests and contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Settlement is not accepted and approved in its entirety by the Board, this Settlement shall be null and void, and the Parties shall be placed in the same position that they were in immediately prior to its execution.

- 4) The Parties also agree that a Board Order approving this Settlement will become effective upon the service of said Order, or upon such date after the service thereof as the Board may specify, in accordance with *N.J.S.A. 48:2-40*.
- 5) The Parties further agree that this Settlement for the final WNC has been made exclusively for the purpose of this proceeding and that this Settlement, in total or specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement for the final WNC.

PUBLIC SERVICE ELECTRIC AND  
GAS COMPANY

BY: Matthew Weissman  
Matthew M. Weissman, Esq.  
General Regulatory Counsel - Rates

Dated: March 19, 2015

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BY: Alex Moreau  
Alex Moreau, Esq.  
Deputy Attorney General

Dated: March 19, 2015

DIVISION OF RATE COUNSEL  
STEFANIE A. BRAND, DIRECTOR

By: Sarah H. Steindel  
Sarah H. Steindel, Esq.

Dated: March 19, 2015

PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
B.P.U.N.J. No. 15 GAS

Fourth Revised Sheet No. 45  
Superseding  
Third Revised Sheet No. 45

**WEATHER NORMALIZATION CHARGE**

**CHARGE APPLICABLE TO  
RATE SCHEDULES RSG, GSG, LVG  
(Per Balancing Therm)**

	Weather Normalization Charge	Weather Normalization Charge including SUT
October 1, 2014 through May 31, 2015	(\$0.031743)	(\$0.033965)
June 1, 2015 through September 30, 2015	\$0.000000	\$0.000000

**Weather Normalization Charge**

This charge shall be applicable to the rate schedules listed above. The weather normalization charge applied in each Winter Period shall be based on the differences between actual and normal weather during the preceding winter period. The weather normalization charge shall be determined as follows:

**I. DEFINITION OF TERMS AS USED HEREIN**

**1. Degree Days (DD)**

- the difference between 65°F and the mean daily temperature for the day. The mean daily temperature is the simple average of the 24 hourly temperature observations for a day.

**2. Actual Calendar Month Degree Days**

- the accumulation of the actual Degree Days for each day of a calendar month.

**3. Normal Calendar Month Degree Days**

- the level of calendar month degree days to which this clause applies.

The normal calendar month Degree Days used in this clause will be the twenty-year average of the National Oceanic and Atmospheric Administration (NOAA) First Order Weather Observation Station at the Newark airport and will be updated annually in the Weather Normalization Clause (WNC) proceeding. The base level of normal degree days for the defined winter period months for the 2014-2015 Winter Period are set forth in the table below:

	<u>Normal Degree Days</u>
Oct - 14	249.1
Nov - 14	529.1
Dec - 14	841.0
Jan - 15	995.9
Feb - 15	832.3
Mar - 15	680.8
Apr - 15	354.8
May - 15	132.8

**4. Winter Period**

- shall be the eight consecutive calendar months from October of one calendar year through May of the following calendar year.

Date of Issue: September 30, 2014

Effective: October 1, 2014

Issued by DANIEL J. CREGG, Vice President Finance – PSE&G

80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated September 30, 2014

in Docket No. ER14070656

PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
B.P.U.N.J. No. 15 GAS

Sixth Revised Sheet No. 46  
Superseding  
Fifth Revised Sheet No. 46

**WEATHER NORMALIZATION CHARGE  
(Continued)**

**5. Degree Day Dead Band**

- shall be one-half (1/2 %) percent of the sum of the cumulative Normal Calendar Month Degree Days for the Winter Period and shall be allocated to each winter month in the same proportion as the ratio of the normal degree days for that month to the total normal degree days.

**6. Degree Day Consumption Factors**

- the use per degree day component of the gas sales equations by month used in forecasting firm gas sales for the applicable rate schedules. These factors will be updated annually in the WNC proceeding. Degree day Consumption Factors for the 2014-2015 Winter Period are set forth below and presented as therms per degree day:

Month	RSG-Residential		Commercial			Industrial		
	Heating	Non-Heating	GSG		LVG	GSG		LVG
			Heating	Non-Heating		Heating	Non-Heating	
Oct.-14	102,688	1,247	19,318	1,641	75,496	631	114	7,162
Nov.-14	181,768	6,736	43,951	3,793	75,496	1,084	1,051	7,162
Dec.-14	214,680	8,366	40,170	4,787	75,496	1,427	265	7,162
Jan.-15	234,992	8,971	47,597	5,042	76,001	2,126	239	7,211
Feb.-15	227,566	8,523	52,910	5,248	76,001	1,705	735	7,211
Mar.-15	224,263	8,624	44,525	5,476	76,001	2,261	476	7,211
Apr.-15	197,505	9,421	33,772	5,569	76,001	1,165	419	7,211
May-15	149,806	8,179	19,803	4,902	76,001	615	-	7,211

The consumption factors established in advance of each Winter Period shall be based on the forecast number of customers by rate schedule. These factors shall be trued-up at the end of the Winter Period for which the factors apply in order to reflect the actual average number of customers by rate schedule.

**7. Margin Revenue Factor**

- the weighted average of the Distribution Charges as quoted in the individual rate schedules to which this clause applies net of applicable taxes. The weighted average shall be determined by multiplying the margin revenue component of the Distribution Charges of each rate schedule to which this clause applies by each rate schedule's percentage of total consumption of all the rate schedules to which this clause applies for the winter period and summing this result for all the rate schedules to which this clause applies. The Margin Revenue Factors shall be redetermined each time new base rates are put into effect.

Margin Revenue Factors:

Rate Schedule RSG	\$0.282087
Rate Schedule GSG	\$0.237618
Rate Schedule LVG	\$0.037773

**8. Annual Period**

- shall be the 12 consecutive months from October 1 of one calendar year through September 30 of the following calendar year.

**9. Average 13 Month Common Equity Balance**

- shall be calculated by adding the Net Gas Utility Plant in Service (Gas Plant in Service less Accumulated Depreciation Reserve) at the beginning of the Annual Period (i.e., October 1) and the month ending balances for each of the twelve months in the Annual Period divided by thirteen (13), and multiplying by 40.88% (ratio of equity component of the Company's capital structure to net plant in service from most recent base rate case).

Date of Issue: September 30, 2014

Effective: October 1, 2014

Issued by DANIEL J. CREGG, Vice President Finance – PSE&G

80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated September 30, 2014

in Docket No. ER14070656

PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
B.P.U.N.J. No. 15 GAS

Fifth Revised Sheet No. 47  
Superseding  
Fourth Revised Sheet No. 47

**WEATHER NORMALIZATION CHARGE**  
(Continued)

**II. DETERMINATION OF THE WEATHER NORMALIZATION RATE**

At the end of the Winter Period during the Annual Period, a calculation shall be made that determines for all months of the Winter Period the level by which margin revenues differed from what would have resulted if normal weather (as determined by reference to the Degree Day Dead Band) occurred. This calculation is made by multiplying the monthly Degree Day Consumption Factor by the difference between Normal Calendar Month Degree Days as adjusted for the Degree Day Dead Band, and Actual Calendar Month Degree Days and, in turn, multiplying the result by the Margin Revenue Factor. To the extent the Actual Calendar Month Degree Days exceeds Normal Calendar Month Degree Days as adjusted for the Degree Day Dead Band, an excess of margin revenues exist. To the extent Actual Calendar Month Degree Days were less than Normal Calendar Month Degree Days as adjusted for the Degree Day Dead Band, a deficiency of marginal revenue exists. The sum of the monthly calculations represents the total revenue excess or deficiency for the Winter Period. If, at the end of the Winter Period of the Annual Period, the degree day variation from normal weather is less than the Degree Day Dead Band, the weather normalization clause will not be in effect.

The WNC shall not operate to permit the Company to recover any portion of a margin revenue deficiency that will cause the Gas Utility to earn in excess of its allowed rate of return on common equity of 10.3% for the Annual Period; any portion which is not recovered shall not be deferred. For purposes of this section, the Gas Utility's rate of return on common equity shall be calculated by dividing the Gas Utility's regulated jurisdictional net income for the Annual Period by the Gas Utility's average 13 month common equity balance for such Annual Period. The Gas Utility's regulated jurisdictional net income shall be calculated by subtracting from total net income of the Gas Utility net income derived from clause mechanisms (Green Programs Recovery Charge, Capital Adjustment Charge, etc) that provide for a return on investment outside of base rates.

The total WNC balance at September 30 of the Annual Period shall be divided by the estimated applicable balancing therm sales from the rate schedules subject to this clause for the Annual Period over which this rate will be in effect, multiplied by a factor to adjust for increases in taxes and assessments. The product of this calculation shall be the Weather Normalization Charge. However, the Weather Normalization Charge will at no time exceed three (3%) percent of the then applicable RSG total per therm rate, including RSG-BGSS charges and 65.31% of the Balancing Charge. To the extent that the effect of this rate cap precludes the Company from fully recovering the WNC balance for the Annual Period, the unrecovered balance will be added to the WNC balance used to calculate the weather normalization rate for the next Winter Period. The Weather Normalization Charge, so calculated, will be in effect for the immediately following Annual Period.

**III. TRACKING THE OPERATION OF THE WEATHER NORMALIZATION CLAUSE**

The revenues billed, or credits applied, net of taxes and assessments, through the application of the Weather Normalization Charge shall be accumulated for each month of the Winter Period when this charge is in effect and applied against the margin revenue excess or deficiency from the immediately preceding Winter Period and any cumulative balances remaining from prior Winter Periods.

The annual filing for the adjustment to the weather normalization charge will be filed by July 1 of each year.

Date of Issue: September 30, 2014

Effective: October 1, 2014

Issued by DANIEL J. CREGG, Vice President Finance – PSE&G

80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated September 30, 2014

in Docket No. ER14070656



**State of New Jersey**  
OFFICE OF ADMINISTRATIVE LAW

**INITIAL DECISION**

**SETTLEMENT**

OAL DKT. NO. PUC 16106-14

AGENCY DKT. NO. GR14070656

**I/M/O THE PETITION OF  
PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
TO REVISE ITS WEATHER NORMALIZATION  
CHARGE FOR THE 2014-2015 ANNUAL PERIOD.**

---

**Alexander C. Stern**, Associate General Regulatory Counsel, for petitioner Public Service Electric & Gas Company (PSEG Services Corporation, attorneys)

**David Wand** and **Alex Moreau**, Deputy Attorneys General, for respondent Board of Public Utilities (John J. Hoffman, Acting Attorney General of New Jersey, attorneys)

**Felicia Thomas-Friel, Esq.**, Deputy Rate Counsel for respondent

**Christine M. Juarez** and **Sara H. Steindel**, Assistant Deputy Rate Counsel for respondent Division of Rate Counsel (Stefanie A. Brand, Director, attorneys)

Record Closed: March 23, 2015

Decided: March 23, 2015

**BEFORE TIFFANY M. WILLIAMS, ALJ:**



This matter was transmitted to the Office of Administrative Law on December 3, 2014, for determination as a contested case, pursuant to N.J.S.A. 52:14B-1 to -15 and N.J.S.A. 52:14F-1 to -13.

The parties agreed to an amicable resolution of the matter and submitted a Stipulation of Settlement indicating the terms thereof, which is attached and fully incorporated herein.

I have reviewed the record and the terms of settlement and I **FIND**:

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1 and that the settlement should be approved. I approve the settlement and therefore **ORDER** that the parties comply with the settlement terms and that these proceedings be concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the **BOARD OF PUBLIC UTILITIES** does not adopt, modify or reject this decision within forty-five days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

March 23, 2015  
DATE

*Tiffany M. Williams*  
TIFFANY M. WILLIAMS, ALJ

Date Received at Agency: \_\_\_\_\_

Date Mailed to Parties: \_\_\_\_\_

rr

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF	)	SETTLEMENT
PUBLIC SERVICE ELECTRIC AND GAS	)	FOR THE FINAL WNC RATES
COMPANY TO REVISE ITS WEATHER	)	
NORMALIZATION CHARGE (WNC) FOR	)	BPU Dkt No. GR14070656
THE 2014-2015 ANNUAL PERIOD	)	

*que*  
*16/06/14*

APPEARANCES:

**Matthew M. Weissman**, General Regulatory Counsel - Rates, for the Petitioner, Public Service Electric and Gas Company

**Felicia Thomas-Friel, Esq.**, Deputy Rate Counsel, Division of Rate Counsel; **Sarah H. Steindel, Esq.** and **Christine M. Juarez**, Assistant Deputy Rate Counsels, for the New Jersey Division of Rate Counsel (**Stefanie A. Brand**, Director)

**Alex Moreau and T. David Wand**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (John Jay Hoffman, Acting Attorney General of New Jersey)

On July 1, 2014, Public Service Electric and Gas Company (PSE&G or the Company) filed its Petition with the Board of Public Utilities (Board or BPU), requesting approval to return \$44,695,945 in over-recovered revenue through the Weather Normalization Charge (WNC) to customers receiving service under Rate Schedules Residential Service (RSG), General Service (GSG) and Large Volume Gas (LVG) during the Winter Period of October 1, 2014 to May 31, 2015. See B.P.U.N.J. No. 15 Gas Tariff Sheet Nos. 45, 46, and 47 (WNC Tariff). As part of this Petition, PSE&G proposed a WNC rate for the 2014-2015 Winter Period of (\$0.031743) ((\$0.033965) including Sales and Use Tax (SUT)) per balancing therm (i.e., a credit of \$0.031743 per therm without SUT and \$0.033965 per therm including SUT) applicable to Rate Schedules RSG, GSG

- 2 -

and LVG. The proposed rate per Balancing Term reflected the actual results for the 2013-2014 Winter Period to be refunded to customers during the 2014-2015 Winter Period, with incorporation of the one adjustment described below, and represents a total amount to be returned of \$44,695,945.

The WNC Tariff was first approved by the Board on July 9, 2010, as part of the Stipulation of Settlement of PSE&G's 2009 base rate case. Decision and Order Adopting Initial Decision with Modifications for Gas Decision, *I/M/O the Petition of PSE&G for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service*, Dkt. No. GR09050422 (July 2010 Order). The BPU approved the permanent 2013-2014 PSE&G WNC and Tariff on April 24, 2014. Decision and Order, *I/M/O the Petition of PSE&G to Revise Its Weather Normalization Charge*, Dkt. No. GR13070615 (April 24, 2014) (the 2013-2014 WNC Order).

In calculating the proposed WNC, PSE&G represents that it has utilized calculations required by the July 2010 Order and reflected in PSE&G's WNC Tariff. Specifically, PSE&G is required to calculate, at the end of each October-to-May period (Winter Period), the level by which margin revenues differed from what would have resulted if normal weather had occurred. The base level of normal degree days for the 2013-2014 Winter Period is defined in PSE&G's WNC Tariff. As approved by the Board, any excess or deficiency is to be credited or recovered in the following year during the Winter Period through the WNC.

- 3 -

In accordance with the WNC Tariff, PSE&G represents that it has true-up the Degree Day Consumption Factors utilized in the determination of the proposed WNC at the end of the Winter Period. In addition, the revised WNC Tariff Sheets developed by PSE&G and included in the Petition reflect updated Degree Day Consumption Factors for the 2014-2015 Winter Period. These calculations establish a margin revenue excess of \$41,809,311 resulting solely from the 2013-2014 Winter Period. Only this component of the total deficiency originated from the recent 2013-2014 Winter Period. In calculating the 2014-2015 WNC recovery request, PSE&G represents that it made one adjustment to the margin revenue deficiency in accordance with the WNC Tariff. Specifically, the Company has included an over-collection of the remaining 2012-2013 carryover WNC balance, which totals \$2,886,634 as of May 31, 2014 and increases the amount to be refunded in the 2014-2015 Winter Period.

Following the filing of the Petition, PSE&G, Board Staff, and the Division of Rate Counsel ("Parties"), the only Parties to this proceeding, discussed certain matters at issue herein. As a result of those discussions, the Parties determined that additional time was needed to complete the review of the proposed WNC and other aspects of the Company's filing. However, the Parties also agreed that modification of the Company's proposed WNC for the 2014-2015 Winter Period, on a provisional basis, was reasonable at the time, and they entered into a Provisional Settlement. Among other things, the Provisional Settlement provided that changes to the WNC were "on a provisional basis, subject to true-up of the earnings for the Annual Period..." Provisional Settlement at

- 4 -

Para. 3. As a result of the stipulated provisional WNC rate, PSE&G's typical residential gas heating customers using 160 therms per month during the winter months and 1,050 therms on an annual basis would see a decrease in the annual bill from \$1,081.02 to \$1,049.68 or \$31.34 or approximately 2.90% based upon Delivery Rates and BGSS-RSG charges in effect on July 1, 2014, when compared to the 2013-2014 WNC Winter Period Rate, assuming that the customer receives gas commodity service from PSE&G.

The Provisional Settlement was approved by the Board by Order dated September 30, 2014, and the provisional WNC of (\$0.031743) ((\$0.033965) including SUT) per balancing therm applicable to Rate Schedules RSG, GSG and LVG for the 2014-2015 Winter Period was implemented effective October 1, 2014. See Decision and Order Approving Stipulation for Provisional WNC Rates, *I/M/O the Petition of Public Service Electric and Gas Company to Revise Its Weather Normalization Charge*, Dkt. No. GR14070656 (September 30, 2014); see also Gas WNC Tariff Sheet Nos. 45, 46 and 47 (attached). The existing tariff sheets, reflecting the Board's provisional approval of the WNC rate proposed in the Company's filing, are attached as Attachment A to this Settlement.

On February 5, 2015 PSE&G submitted responses to interrogatories issued by Rate Counsel. In its response to RCR-1, the Company provided 12 months of actual financial data including an update to reflect any over/under collections from customers through September 30, 2014. The updated combined excess amount of \$44,664,950 represents the amount to be refunded in the 2014-2015 Winter Period. Although the

- 5 -

updated schedules result in a lower amount to be refunded, the Company is not proposing any change to the rates requested in the Petition and approved provisionally by the Board on September 30, 2014.

**The Parties have further discussed this matter and stipulate as follows:**

- 1) The Parties request that the BPU issue an Order confirming as final the return by the Company of \$44,695,945 during the 2014-2015 Winter Period to PSE&G gas customers who take service through Rate Schedules RSG, GSG and LVG.
- 2) The Parties stipulate and request that the BPU approve as final, PSE&G's WNC of (\$0.031743) ((\$0.033965) including SUT) per balancing term applicable to Rate Schedules RSG, GSG and LVG for the 2014-2015 Winter Period. PSE&G's WNC reflected in Tariff Sheets Numbers 45, 46 and 47 (provided in Attachment A) and customers' bills will not change as a result of this settlement for the final WNC.
- 3) The Parties agree that this Settlement for the final WNC reflects mutually balancing interests and contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Settlement is not accepted and approved in its entirety by the Board, this Settlement shall be null and void, and the Parties shall be placed in the same position that they were in immediately prior to its execution.

- 4) The Parties also agree that a Board Order approving this Settlement will become effective upon the service of said Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.
- 5) The Parties further agree that this Settlement for the final WNC has been made exclusively for the purpose of this proceeding and that this Settlement, in total or specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement for the final WNC.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

JOHN JAY HOFFMAN  
ACTING ATTORNEY GENERAL  
OF NEW JERSEY  
Attorney for the Staff of the New Jersey Board of Public Utilities

BY: Matthew Weissman  
Matthew M. Weissman, Esq.  
General Regulatory Counsel - Rates

BY: Alex Moreau  
Alex Moreau, Esq.  
Deputy Attorney General

Dated: March 19, 2015

Dated: March 19, 2015

DIVISION OF RATE COUNSEL  
STEPHANIE A. BRAND, DIRECTOR

By: Sarah H. Stöndel  
Sarah H. Stöndel, Esq.

Dated: March 19, 2015



PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
B.P.U.N.J. No. 18 GAS

Fourth Revised Sheet No. 45  
Superseding  
Third Revised Sheet No. 45

**WEATHER NORMALIZATION CHARGE**  
**CHARGE APPLICABLE TO**  
**RATE SCHEDULES RSG, GSG, LVG**  
**(Per Balancing Therm)**

	Weather Normalization Charge	Weather Normalization Charge including SUT
October 1, 2014 through May 31, 2015	(\$0.031743)	(\$0.033965)
June 1, 2015 through September 30, 2015	\$0.000000	\$0.000000

Weather Normalization Charge

This charge shall be applicable to the rate schedules listed above. The weather normalization charge applied in each Winter Period shall be based on the differences between actual and normal weather during the preceding winter period. The weather normalization charge shall be determined as follows:

**I. DEFINITION OF TERMS AS USED HEREIN**

**1. Degree Days (DD)**

- the difference between 65°F and the mean daily temperature for the day. The mean daily temperature is the simple average of the 24 hourly temperature observations for a day.

**2. Actual Calendar Month Degree Days**

- the accumulation of the actual Degree Days for each day of a calendar month.

**3. Normal Calendar Month Degree Days**

- the level of calendar month degree days to which this clause applies.

The normal calendar month Degree Days used in this clause will be the twenty-year average of the National Oceanic and Atmospheric Administration (NOAA) First Order Weather Observation Station at the Newark airport and will be updated annually in the Weather Normalization Clause (WNC) proceeding. The base level of normal degree days for the defined winter period months for the 2014-2015 Winter Period are set forth in the table below:

	Normal Degree Days
Oct - 14	249.1
Nov - 14	529.1
Dec - 14	841.0
Jan - 15	996.9
Feb - 15	832.3
Mar - 15	680.8
Apr - 15	354.8
May - 15	132.8

**4. Winter Period**

- shall be the eight consecutive calendar months from October of one calendar year through May of the following calendar year.

Date of Issue: September 30, 2014

Effective: October 1, 2014

Issued by DANIEL J. CREGG, Vice President Finance – PSE&G

80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated September 30, 2014

In Docket No. ER14070658

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

Sixth Revised Sheet No. 46

B.P.U.N.J. No. 15 GAS

Superseding  
Fifth Revised Sheet No. 46

**WEATHER NORMALIZATION CHARGE  
(Continued)**

**5. Degree Day Dead Band**

- shall be one-half (1/2 %) percent of the sum of the cumulative Normal Calendar Month Degree Days for the Winter Period and shall be allocated to each winter month in the same proportion as the ratio of the normal degree days for that month to the total normal degree days.

**6. Degree Day Consumption Factors**

- the use per degree day component of the gas sales equations by month used in forecasting firm gas sales for the applicable rate schedules. These factors will be updated annually in the WNC proceeding. Degree day Consumption Factors for the 2014-2015 Winter Period are set forth below and presented as therms per degree day:

Month	RSG-Residential		Commercial			Industrial		
	Heating	Non-Heating	BSG		LVG	GSG		LVG
			Heating	Non-Heating		Heating	Non-Heating	
Oct.-14	102,088	1,247	19,318	1,641	75,496	631	114	7,162
Nov.-14	181,768	8,738	43,951	3,793	75,498	1,044	1,051	7,162
Dec.-14	214,000	8,306	40,170	4,727	75,496	1,427	265	7,162
Jan.-15	234,872	8,971	47,597	5,042	76,001	2,126	239	7,211
Feb.-15	227,666	6,523	52,910	5,240	76,001	1,705	736	7,211
Mar.-15	224,263	6,624	44,625	5,476	76,001	2,251	476	7,211
Apr.-15	197,505	9,421	33,772	6,568	76,001	1,166	419	7,211
May-15	149,808	8,178	19,803	4,902	76,001	815	-	7,211

The consumption factors established in advance of each Winter Period shall be based on the forecast number of customers by rate schedule. These factors shall be true-up at the end of the Winter Period for which the factors apply in order to reflect the actual average number of customers by rate schedule.

**7. Margin Revenue Factor**

- the weighted average of the Distribution Charges as quoted in the individual rate schedules to which this clause applies net of applicable taxes. The weighted average shall be determined by multiplying the margin revenue component of the Distribution Charges of each rate schedule to which this clause applies by each rate schedule's percentage of total consumption of all the rate schedules to which this clause applies for the winter period and summing this result for all the rate schedules to which this clause applies. The Margin Revenue Factors shall be redetermined each time new base rates are put into effect.

**Margin Revenue Factors:**

Rate Schedule RSG	\$0.282087
Rate Schedule GSG	\$0.237618
Rate Schedule LVG	\$0.037773

**8. Annual Period**

- shall be the 12 consecutive months from October 1 of one calendar year through September 30 of the following calendar year.

**9. Average 13 Month Common Equity Balance**

- shall be calculated by adding the Net Gas Utility Plant in Service (Gas Plant in Service less Accumulated Depreciation Reserve) at the beginning of the Annual Period (i.e., October 1) and the month ending balances for each of the twelve months in the Annual Period divided by thirteen (13), and multiplying by 40.88% (ratio of equity component of the Company's capital structure to net plant in service from most recent base rate case).

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Effective: October 1, 2014

Issued by DANIEL J. CREGG, Vice President Finance - PSE&G  
80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated September 30, 2014  
in Docket No. ER14070656

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**  
**B.P.U.N.J. No. 15 GAS**

**Fifth Revised Sheet No. 47**  
**Superseding**  
**Fourth Revised Sheet No. 47**

**WEATHER NORMALIZATION CHARGE**  
**(Continued)**

**II. DETERMINATION OF THE WEATHER NORMALIZATION RATE**

At the end of the Winter Period during the Annual Period, a calculation shall be made that determines for all months of the Winter Period the level by which margin revenues differed from what would have resulted if normal weather (as determined by reference to the Degree Day Dead Band) occurred. This calculation is made by multiplying the monthly Degree Day Consumption Factor by the difference between Normal Calendar Month Degree Days as adjusted for the Degree Day Dead Band, and Actual Calendar Month Degree Days and, in turn, multiplying the result by the Margin Revenue Factor. To the extent the Actual Calendar Month Degree Days exceeds Normal Calendar Month Degree Days as adjusted for the Degree Day Dead Band, an excess of margin revenues exist. To the extent Actual Calendar Month Degree Days were less than Normal Calendar Month Degree Days as adjusted for the Degree Day Dead Band, a deficiency of marginal revenue exists. The sum of the monthly calculations represents the total revenue excess or deficiency for the Winter Period. If, at the end of the Winter Period of the Annual Period, the degree day variation from normal weather is less than the Degree Day Dead Band, the weather normalization clause will not be in effect.

The WNC shall not operate to permit the Company to recover any portion of a margin revenue deficiency that will cause the Gas Utility to earn in excess of its allowed rate of return on common equity of 10.3% for the Annual Period; any portion which is not recovered shall not be deferred. For purposes of this section, the Gas Utility's rate of return on common equity shall be calculated by dividing the Gas Utility's regulated jurisdictional net income for the Annual Period by the Gas Utility's average 13 month common equity balance for such Annual Period. The Gas Utility's regulated jurisdictional net income shall be calculated by subtracting from total net income of the Gas Utility net income derived from clause mechanisms (Green Programs Recovery Charge, Capital Adjustment Charge, etc) that provide for a return on investment outside of base rates.

The total WNC balance at September 30 of the Annual Period shall be divided by the estimated applicable balancing therm sales from the rate schedules subject to this clause for the Annual Period over which this rate will be in effect, multiplied by a factor to adjust for increases in taxes and assessments. The product of this calculation shall be the Weather Normalization Charge. However, the Weather Normalization Charge will at no time exceed three (3%) percent of the then applicable RSG total per therm rate, including RSG-BGSS charges and 65.31% of the Balancing Charge. To the extent that the effect of this rate cap precludes the Company from fully recovering the WNC balance for the Annual Period, the unrecovered balance will be added to the WNC balance used to calculate the weather normalization rate for the next Winter Period. The Weather Normalization Charge, so calculated, will be in effect for the immediately following Annual Period.

**III. TRACKING THE OPERATION OF THE WEATHER NORMALIZATION CLAUSE**

The revenues billed, or credits applied, net of taxes and assessments, through the application of the Weather Normalization Charge shall be accumulated for each month of the Winter Period when this charge is in effect and applied against the margin revenue excess or deficiency from the immediately preceding Winter Period and any cumulative balances remaining from prior Winter Periods.

The annual filing for the adjustment to the weather normalization charge will be filed by July 1 of each year.

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Effective: October 1, 2014

Issued by DANIEL J. CREGG, Vice President Finance – PSE&G

80 Park Plaza, Newark, New Jersey 07102

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