

Agenda Date: 1/27/16
Agenda Item: 2I

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC	)	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY TO	)	APPROVING INITIAL
REVISE ITS WEATHER NORMALIZATION CHARGE	)	DECISION AND
FOR THE 2015-2016 ANNUAL PERIOD	)	SETTLEMENT FOR THE
	)	FINAL WNC RATES
)	
	)	DOCKET NO. GR15060748

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

BACKGROUND

On June 25, 2015, 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 \$0.030144 per balancing therm, including Sales and Use Tax (“SUT”), for the winter period of October 1, 2015 through May 31, 2016 (“2015-2016 Winter Period”). The WNC requires PSE&G to calculate the level by which the Company’s margin revenues¹ differ from what the Company would have collected if normal weather, based upon a twenty-year rolling average of heating degree days, had occurred. 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”).² 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”).

¹ Margin revenues are distribution revenues from relevant rate classes’ per therm charges.

² 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 \$39,696,425 comprised of a margin revenue excess from the 2014-2015 Winter Period of \$46,356,149, partially offset by the impact of a true-up for an excess refund of \$6,659,724 tied to the 2013-2014 Winter Period.

After publication of notice in newspapers of general circulation in the Company's service territory, public hearings were scheduled and conducted in Hackensack, New Brunswick, and Westampton, on August 18, 19, and 20, 2015, respectively. Four (4) members of the public appeared and commented at the New Brunswick public hearing, generally on high utility rates and opposition to shutting off service for lack of payment, however, no member of the public commented specifically on this filing.

By Order dated September 11, 2015, 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 \$0.030144 per balancing therm for the 2015-2016 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 on rates in effect at the time, the annual bill for typical PSE&G residential gas heating customers using 1,010 therms on an annual basis increased from \$920.37 to \$922.69, or by \$2.32 (.25%).

On October 15, 2015, the matter was forwarded to the Office of Administrative Law where it was assigned to Administrative Law Judge ("ALJ") Kimberly Moss.

SETTLEMENT FOR THE FINAL WNC RATES³

Following further review and discussions, the Parties entered into a Settlement for Final WNC Rates ("Settlement") dated December 18, 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 \$39,696,425 during the 2015-2016 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 credit rate of \$0.030144 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 December 21, 2015, ALJ Moss 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 Initial Decision and Settlement, **HEREBY FINDS** that there has been a full review of the Company's WNC for the period at issue and, therefore, the Initial Decision and Settlement are reasonable,

³ Although summarized in this Order, the detailed terms of the Settlement are controlling, subject to the findings and conclusions of this Order.

in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Initial Decision and Settlement as its own as if fully set forth herein.

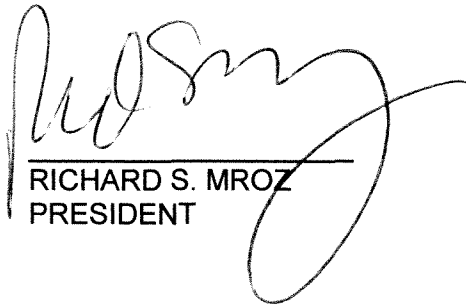
The Board **HEREBY ORDERS** that the existing WNC rate of a credit of \$0.030144 per balancing term (including SUT) remain in effect and shall be deemed the final WNC rate for the 2015-2016 Winter Period.

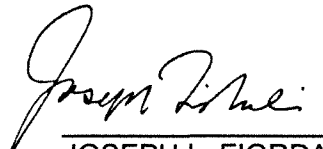
The Company's costs remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

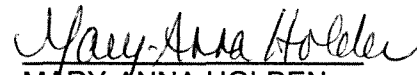
The effective date of this Order is February 6, 2016.

DATED: *Jan 28, 2016*

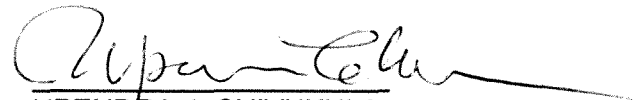
BOARD OF PUBLIC UTILITIES
BY:

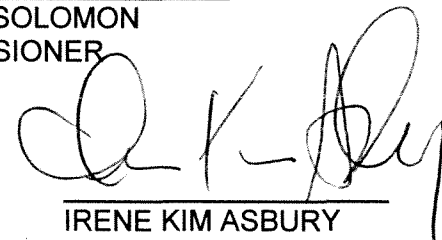

RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER

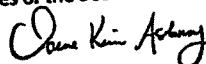

MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST: 
IRENE KIM ASBURY
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 2015-2016 ANNUAL
PERIOD - DOCKET NO. GR15060748

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 16171-15

AGENCY DKT. NO. GR15060748

**I/M/O THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS
CO. TO REVISE ITS WEATHER NORMALIZATION CHARGE FOR
THE 2015-2016 ANNUAL PERIOD,**

Matthew Weissman, Esq. for petitioner Public Service Electric and Gas
Company

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

Patricia A. Krogman and Alex Moreau, Deputy Attorneys General, for the Staff
of the New Jersey Board of Public Utilities (John J. Hoffman, Acting
Attorney General of New Jersey, attorney)

Record Closed: December 18, 2015

Decided: December 21, 2015

BEFORE: KIMBERLY A. MOSS, ALJ:

On October 15, 2015, this matter was transmitted to the Office of Administrative
Law (OAL) for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to-15 and

A handwritten signature in the bottom right corner of the page, appearing to read "K. Moss".

N.J.S.A. 52:14F 1 to- 13. The matter was scheduled for a telephone prehearing on November 19, 2015 during which time the parties engaged in settlement discussions. A telephone status conference was scheduled for December 21, 2015. On December 21, 2015 the Company submitted a fully executed Stipulation of Settlement which resolves all issues in dispute. Attached herewith is a copy of the Stipulation.

I have reviewed the record and the settlement terms and I **FIND** that the parties have voluntarily agreed to the Stipulation as evidenced by their signatures and the Stipulation fully disposes of all issues in controversy and is consistent with the law.


I **CONCLUDE** that the Stipulation meets the requirements of N.J.A.C. 1:1-19.1 and that it should be approved. It is hereby **ORDERED** that the Stipulation be and is hereby **APPROVED**, the rates reflected therein be effective on the effective date of approval by the BPU of the pertinent tariff sheets, and 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.

12-21-15

DATE



KIMBERLY A. MOSS, ALJ

Date Received at Agency:

Date Mailed to Parties:
ljb

Matthew M. Weissman
General Regulatory Counsel - Rates

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December 18, 2015

In The Matter of the Petition of
Public Service Electric and Gas Company
to Revise its Weather Normalization Charge
for the 2015-2016 Annual Period

BPU Docket No. GR15060748
OAL Docket No. PUC-16171-2015N

VIA OVERNIGHT MAIL DELIVERY

Honorable Kimberly A. Moss
Office of Administrative Law
33 Washington Street
Newark, New Jersey 07102

Dear Judge Moss:

Attached is the fully executed Stipulation in the above-reference matter. If you have any questions regarding this, do not hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Matthew M. Weissman".

Attachments
C Attached Service List

RECEIVED
2015 DEC 21 P 12:52
STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

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December 18, 2015

In The Matter of the Petition of
Public Service Electric and Gas Company
to Revise its Weather Normalization Charge
for the 2015-2016 Annual Period

BPU Docket No. GR15060748
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Honorable Kimberly A. Moss
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Newark, New Jersey 07102

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Very truly yours,

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

Attachments

C Attached Service List

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION)	SETTLEMENT FOR THE FINAL
OF PUBLIC SERVICE ELECTRIC AND	)	WEATHER NORMALIZATION
GAS COMPANY TO REVISE ITS	)	CHARGE
WEATHER NORMALIZATION)	
CHARGE (WNC) FOR THE 2015-2016	)	BPU Dkt. No. GR15060748
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 **Maura Caroselli**, Assistant Deputy Rate Counsels, Division of Rate Counsel (Stefanie A. Brand, Director)

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

On June 25, 2015, 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 \$39,696,425 in over-recovered revenue through the Weather Normalization Charge (WNC) to customers receiving gas service under Rate Schedules Residential Service Gas (RSG), General Service Gas (GSG) and Large Volume Gas (LVG) during the Winter Period of October 1, 2015 to May 31, 2016. 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 for the 2015-2016 Winter Period of (\$0.028172) ((\$0.030144) including Sales and Use Tax (SUT)) per balancing therm (i.e. a credit of 0.028172 per therm without SUT and \$0.030144 per therm including SUT) applicable to Rate Schedules RSG, GSG and LVG. The proposed rate per Balancing Therm reflects the actual

results for the 2014-2015 Winter Period to be refunded to customers during the 2015-2016 Winter Period, with incorporation of the one adjustment described below, and represents a total amount to be returned of \$39,696,425.

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 2014-2015 PSE&G WNC rate and Tariff on April 15, 2015. Decision and Order, *I/M/O the Petition of PSE&G to Revise Its Weather Normalization Charge for the 2014-2015 Annual Period*, Dkt. No. GR14070656 (April 15, 2015) (the 2014-2015 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 2014-2015 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 2015-2016 Winter Period.

These calculations establish a margin revenue excess of \$46,356,149 resulting solely from the 2014-2015 Winter Period. Only this component of the total deficiency originated from the recent 2014-2015 Winter Period. In calculating the 2015-2016 WNC refund request, PSE&G represents that it has made one adjustment to the margin revenue deficiency in accordance with the WNC Tariff. Specifically, the Company has included an excess refund on the remaining 2013-2014 carryover WNC balance, which totals \$6,659,724 and decreases the amount to be refunded in the 2015-2016 Winter Period.

Notice setting forth the Company's June 25, 2015 WNC filing, including the date, time and place of the public hearing, was placed in newspapers having a circulation within the Company's gas service territory and was served on the county executives and clerks of all municipalities within the Company's gas service territory.

Public hearings were scheduled and conducted in Hackensack, New Brunswick and Westampton on August 18, 19, and 20, 2015, respectively. Four members of the public expressed general concerns about high utility rates and opposition to shutting off service for lack of payment. No members of the public appeared and commented specifically on this filing.

Following the filing 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 change in the Company's proposed WNC for the 2015-2016 Winter Period, on a provisional

basis, was reasonable at this 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 165 therms in a winter month and 1,010 therms on an annual basis would see an increase in their annual bill from \$920.37 to \$922.69 or \$2.32 or approximately 0.25%, based upon Delivery Rates and BGSS-RSG charges in effect on June 1, 2015, with the WNC set to the rate that was in effect for the 2014-2015 WNC Annual Period, and assuming that the customer receives gas commodity service from PSE&G.

The Provisional Settlement was approved by the Board by Order dated September 11, 2015, and the provisional rate of (\$0.028172) without SUT ((\$0.030144) including SUT) per balancing therm applicable to Rate Schedules RSG, GSG and LVG for the 2015-2016 Winter Period was implemented effective October 1, 2015. 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 for the 2015-2016 Annual Period*, Dkt. No. GR15060748 (September 11, 2015); see also Gas WNC Tariff Sheet Nos. 45, 46, and 47 (attached to the Decision and Order). 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 November 18, 2015 PSE&G submitted a response to an informal interrogatory issued by Rate Counsel. In its response to INF-1, the Company provided 12 months of actual financial data including an update to reflect any over/under collections from customers through September

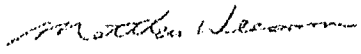
30, 2015. The updated combined excess amount of (\$39,743,625) represents the amount to be refunded in the 2015-2016 Winter Period. Although the updated schedules result in a higher amount to be refunded, the Company is not proposing any changes to the rates requested in the Petition and approved provisionally by the Board on September 11, 2015.

NOW THEREFORE, THE PARTIES STIPULATE AND AGREE AS FOLLOWS:

- 1) The Parties request that the BPU issue an Order confirming as final the return by the Company of \$39,696,425 during the 2015-2016 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 (\$0.028172) without SUT ((\$0.030144) including SUT) per balancing term applicable to Rate Schedules RSG, GSG and LVG for the 2015-2016 Winter Period. PSE&G's WNC reflected in Tariff Sheet 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.

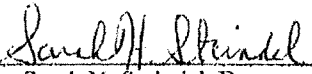
- 5) The Parties further agree that this Settlement for the final WNC has been made exclusively for the purpose of this proceeding and that this Settlement, in total or specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement for the final WNC.

PUBLIC SERVICE ELECTRIC AND GAS
COMPANY


BY: _____
Matthew M. Weissman
General Regulatory Counsel – Rates

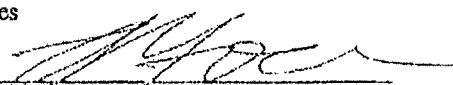
DATED:

NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR


BY: _____
Sarah H. Steindel, Esq.
Assistant Deputy Rate Counsel

DATED:

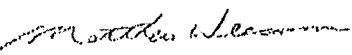
JOHN JAY HOFFMAN
ACTING ATTORNEY GENERAL OF NEW
JERSEY
Attorney for the Staff of the Board of Public
Utilities


BY: _____
Alex Morgan
Deputy Attorney General

DATED:

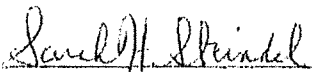
- 5) The Parties further agree that this Settlement for the final WNC has been made exclusively for the purpose of this proceeding and that this Settlement, in total or specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement for the final WNC.

PUBLIC SERVICE ELECTRIC AND GAS
COMPANY


BY: _____
Matthew M. Weissman
General Regulatory Counsel – Rates

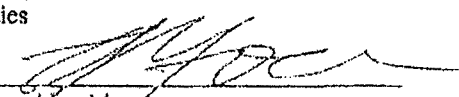
DATED:

NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR


BY: _____
Sarah H. Steindel, Esq.
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DATED:

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


BY: _____
Alex Morgan
Deputy Attorney General

DATED:

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

Fifth Revised Sheet No. 45
Superseding
Fourth 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, 2015 through May 31, 2016	(\$0.028172)	(\$0.030144)
June 1, 2016 through September 30, 2016	\$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 2015-2016 Winter Period are set forth in the table below:

	Normal Degree Days
Oct - 15	252.01
Nov - 15	544.19
Dec - 15	848.57
Jan - 16	993.20
Feb - 16	855.61
Mar - 16	682.08
Apr - 16	360.22
May - 16	131.07

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 21, 2015

Effective: October 1, 2015

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 11, 2015
in Docket No. GR15060748

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

Eighth Revised Sheet No. 46
Superseding
Seventh 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 2015-2016 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.-15	102,072	1,507	18,997	1,487	77,817	621	146	5,653
Nov.-15	185,532	7,237	48,242	3,614	77,817	1,106	1,051	5,653
Dec.-15	224,750	9,721	43,614	4,589	77,817	1,389	278	5,653
Jan.-16	231,079	10,214	50,590	4,812	78,581	2,080	346	5,692
Feb.-16	231,128	10,100	54,857	5,043	78,581	1,654	745	5,692
Mar.-16	227,494	10,012	49,873	5,233	78,581	2,217	445	5,692
Apr.-16	199,546	10,234	35,815	5,258	78,581	1,225	533	5,692
May-16	146,854	8,449	20,504	4,703	78,581	655	-	5,692

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	\$0.290943
Rate Schedule GSG	\$0.242552
Rate Schedule LVG	\$0.038558

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 21, 2015

Effective: October 1, 2015

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 11, 2015
in Docket No. GR15060748

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

Eighth Revised Sheet No. 46
Superseding
Seventh 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 2015-2016 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.-15	102,072	1,507	18,997	1,467	77,817	621	146	5,653
Nov.-15	185,532	7,237	48,242	3,614	77,817	1,106	1,051	5,653
Dec.-15	224,750	9,721	43,614	4,589	77,817	1,389	278	5,653
Jan.-16	231,079	10,214	50,590	4,812	78,581	2,080	346	5,692
Feb.-16	231,128	10,100	54,857	5,043	78,581	1,654	745	5,692
Mar.-16	227,494	10,012	49,873	5,233	78,581	2,217	445	5,692
Apr.-16	199,546	10,234	35,815	5,258	78,581	1,225	533	5,692
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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	\$0.290943
Rate Schedule GSG	\$0.242552
Rate Schedule LVG	\$0.038558

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 21, 2015

Effective: October 1, 2015

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 11, 2015

in Docket No. GR15060748

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

Sixth Revised Sheet No. 47
Superseding
Fifth 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 term 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 64.05% 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 21, 2015

Effective: October 1, 2015

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 11, 2015
in Docket No. GR15060748

Matthew M. Weissman
General Regulatory Counsel - Rates

Law Department
PSEG Services Corporation
80 Park Plaza – T5, Newark, New Jersey 07102-4194
tel : 973-430-7052 fax: 973-430-5983
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December 18, 2015

In The Matter of the Petition of
Public Service Electric and Gas Company
to Revise its Weather Normalization Charge
for the 2015-2016 Annual Period

BPU Docket No. GR15060748
OAL Docket No. PUC-16171-2015N

VIA OVERNIGHT MAIL DELIVERY

Honorable Kimberly A. Moss
Office of Administrative Law
33 Washington Street
Newark, New Jersey 07102

Dear Judge Moss:

Attached is the fully executed Stipulation in the above-reference matter. If you have any questions regarding this, do not hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Matthew Weissman".

Attachments

C Attached Service List

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

IN THE MATTER OF THE PETITION)	SETTLEMENT FOR THE FINAL
OF PUBLIC SERVICE ELECTRIC AND	)	WEATHER NORMALIZATION
GAS COMPANY TO REVISE ITS	)	CHARGE
WEATHER NORMALIZATION)	
CHARGE (WNC) FOR THE 2015-2016	)	BPU Dkt. No. GR15060748
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 **Maura Caroselli**, Assistant Deputy Rate Counsels, Division of Rate Counsel (**Stefanie A. Brand**, Director)

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

On June 25, 2015, 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 \$39,696,425 in over-recovered revenue through the Weather Normalization Charge (WNC) to customers receiving gas service under Rate Schedules Residential Service Gas (RSG), General Service Gas (GSG) and Large Volume Gas (LVG) during the Winter Period of October 1, 2015 to May 31, 2016. 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 for the 2015-2016 Winter Period of (\$0.028172) ((\$0.030144) including Sales and Use Tax (SUT)) per balancing therm (i.e. a credit of 0.028172 per therm without SUT and \$0.030144 per therm including SUT) applicable to Rate Schedules RSG, GSG and LVG. The proposed rate per Balancing Therm reflects the actual

results for the 2014-2015 Winter Period to be refunded to customers during the 2015-2016 Winter Period, with incorporation of the one adjustment described below, and represents a total amount to be returned of \$39,696,425.

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 2014-2015 PSE&G WNC rate and Tariff on April 15, 2015. Decision and Order, *I/M/O the Petition of PSE&G to Revise Its Weather Normalization Charge for the 2014-2015 Annual Period*, Dkt. No. GR14070656 (April 15, 2015) (the 2014-2015 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 2014-2015 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 2015-2016 Winter Period.

These calculations establish a margin revenue excess of \$46,356,149 resulting solely from the 2014-2015 Winter Period. Only this component of the total deficiency originated from the recent 2014-2015 Winter Period. In calculating the 2015-2016 WNC refund request, PSE&G represents that it has made one adjustment to the margin revenue deficiency in accordance with the WNC Tariff. Specifically, the Company has included an excess refund on the remaining 2013-2014 carryover WNC balance, which totals \$6,659,724 and decreases the amount to be refunded in the 2015-2016 Winter Period.

Notice setting forth the Company's June 25, 2015 WNC filing, including the date, time and place of the public hearing, was placed in newspapers having a circulation within the Company's gas service territory and was served on the county executives and clerks of all municipalities within the Company's gas service territory.

Public hearings were scheduled and conducted in Hackensack, New Brunswick and Westampton on August 18, 19, and 20, 2015, respectively. Four members of the public expressed general concerns about high utility rates and opposition to shutting off service for lack of payment. No members of the public appeared and commented specifically on this filing.

Following the filing 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 change in the Company's proposed WNC for the 2015-2016 Winter Period, on a provisional

basis, was reasonable at this 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 165 therms in a winter month and 1,010 therms on an annual basis would see an increase in their annual bill from \$920.37 to \$922.69 or \$2.32 or approximately 0.25%, based upon Delivery Rates and BGSS-RSG charges in effect on June 1, 2015, with the WNC set to the rate that was in effect for the 2014-2015 WNC Annual Period, and assuming that the customer receives gas commodity service from PSE&G.

The Provisional Settlement was approved by the Board by Order dated September 11, 2015, and the provisional rate of (\$0.028172) without SUT ((\$0.030144) including SUT) per balancing therm applicable to Rate Schedules RSG, GSG and LVG for the 2015-2016 Winter Period was implemented effective October 1, 2015. 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 for the 2015-2016 Annual Period*, Dkt. No. GR15060748 (September 11, 2015); see also Gas WNC Tariff Sheet Nos. 45, 46, and 47 (attached to the Decision and Order). 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 November 18, 2015 PSE&G submitted a response to an informal interrogatory issued by Rate Counsel. In its response to INF-1, the Company provided 12 months of actual financial data including an update to reflect any over/under collections from customers through September

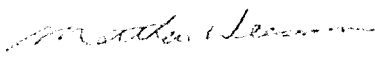
30, 2015. The updated combined excess amount of (\$39,743,625) represents the amount to be refunded in the 2015-2016 Winter Period. Although the updated schedules result in a higher amount to be refunded, the Company is not proposing any changes to the rates requested in the Petition and approved provisionally by the Board on September 11, 2015.

NOW THEREFORE, THE PARTIES STIPULATE AND AGREE AS FOLLOWS:

- 1) The Parties request that the BPU issue an Order confirming as final the return by the Company of \$39,696,425 during the 2015-2016 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 (\$0.028172) without SUT ((\$0.030144) including SUT) per balancing term applicable to Rate Schedules RSG, GSG and LVG for the 2015-2016 Winter Period. PSE&G's WNC reflected in Tariff Sheet 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*.

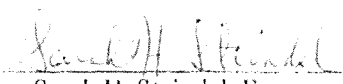
- 5) The Parties further agree that this Settlement for the final WNC has been made exclusively for the purpose of this proceeding and that this Settlement, in total or specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Settlement for the final WNC.

PUBLIC SERVICE ELECTRIC AND GAS
COMPANY


BY: _____
Matthew M. Weissman
General Regulatory Counsel -- Rates

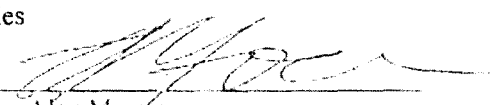
DATED:

NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR


BY: _____
Sarah H. Steindel, Esq.
Assistant Deputy Rate Counsel

DATED:

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


BY: _____
Alex Morzini
Deputy Attorney General

DATED:

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Fifth Revised Sheet No. 45

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

Superseding
Fourth 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, 2015 through May 31, 2016	(\$0.028172)	(\$0.030144)
June 1, 2016 through September 30, 2016	\$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 2015-2016 Winter Period are set forth in the table below:

	Normal Degree Days
Oct - 15	252.01
Nov - 15	544.19
Dec - 15	848.57
Jan - 16	993.20
Feb - 16	855.61
Mar - 16	682.08
Apr - 16	360.22
May - 16	131.07

4. Winter Period

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

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80 Park Plaza, Newark, New Jersey 07102

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PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Eighth Revised Sheet No. 46

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

**Superseding
Seventh 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 2015-2016 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.-15	102,072	1,507	18,997	1,467	77,817	621	146	5,653
Nov.-15	185,532	7,237	48,242	3,614	77,817	1,106	1,051	5,653
Dec.-15	224,750	9,721	43,614	4,589	77,817	1,389	278	5,653
Jan.-16	231,079	10,214	50,590	4,812	78,581	2,080	346	5,692
Feb.-16	231,128	10,100	54,857	5,043	78,581	1,654	745	5,692
Mar.-16	227,494	10,012	49,873	5,233	78,581	2,217	445	5,692
Apr.-16	199,546	10,234	35,815	5,258	78,581	1,225	533	5,692
May-16	146,854	8,449	20,504	4,703	78,581	655	-	5,692

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	\$0.290943
Rate Schedule GSG	\$0.242552
Rate Schedule LVG	\$0.038558

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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PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Sixth Revised Sheet No. 47

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

**Superseding
Fifth 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 64.05% 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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