



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
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 SETTLEMENT
REVISE ITS WEATHER NORMALIZATION CHARGE)	FOR THE FINAL WNC
("WNC"))	RATES
)	
)	DOCKET NO. GR13070615

Parties of Record:

Mally Becker, Esq., for Public Service Electric and Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

BACKGROUND

On July 1, 2013, Public Service Electric and Gas Company ("PSE&G" or "Company") filed a petition ("Petition") with the New Jersey Board of Public Utilities ("Board"), requesting approval of its proposed Weather Normalization Charge ("WNC") rate of \$0.019983 per balancing therm, including Sales and Use Tax ("SUT"), for the winter period of October 1, 2013 through May 31, 2014 ("2013-2014 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.

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

²The 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 recover deficiency revenues of \$26,277,072 (\$28,116,467 including SUT) comprised of carry-over under-recoveries pertaining to the 2011-2012 Winter Period of \$26,204,820, and a margin revenue deficiency of \$72,252 traced to the 2012-2013 Winter Period.

In the Petition, the Company represented that it had applied an earnings test to ensure that the recoveries would neither cause the Company to earn in excess of its allowed rate of return on common equity of 10.3%, nor result in a WNC rate change that exceeded 3.0% of the total existing residential customer's per therm rate.

By Order dated September 18, 2013, 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 \$0.019983 per balancing therm, including SUT, for the 2013-2014 Winter Period, effective for service rendered from October 2013 through May 2014 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. The annual bill for typical PSE&G residential gas heating customers using 1,050 therms decreased from \$1,124.99 to \$1,118.68, or \$6.31 (0.56%)³.

On December 10, 2013, PSE&G updated the WNC earnings test information contained in the Petition to incorporate twelve months of actual financial data and balances through the annual period ending September 30, 2013. The Company indicated that, based on the results of the earnings test with twelve months of actual data, no change to the provisional WNC rate was warranted.

SETTLEMENT FOR FINAL WNC RATES⁴

Following further review and discussions, the Parties entered into the attached Settlement for the Final WNC Rates ("Settlement") dated March 14, 2014. The key provisions of the Settlement are as follows:

- 1) The Parties request that the Board issue an Order confirming as final the WNC rate for the 2013-2014 Winter Period as set forth in the Company's July 1, 2013, filing, including as final the recovery of \$26.277 million (\$28.116 million including SUT) for the 2013-2014 Winter Period for gas customers receiving service pursuant to Rate Schedules RSG, GSG and LVG.
- 2) The Parties request the Board to approve as final the Company's WNC rate of \$0.019983 per balancing therm including SUT.
- 3) The Parties request that the Board approve as final tariff sheets numbered 45, 46 and 47 attached to the Settlement as "ATTACHMENT A".

³ While the Order approving the provisional rates directed that the matter be transmitted to the Office of Administrative Law for review and hearing (if needed), because the Parties agreed that settlement was likely, the case was retained at the Board.

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

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 recovery request 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.

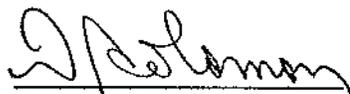
The Board **HEREBY ORDERS** that the existing WNC rate of \$0.019983 per balancing term (including SUT) remain in effect and shall be deemed the final WNC rate for the 2013-2014 Winter Period.

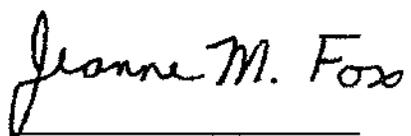
The Board **HEREBY APPROVES** the tariff sheets attached to the Settlement as conforming to the terms and conditions of this Order.

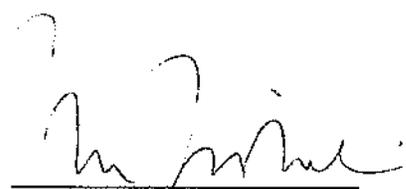
The Company's costs will remain subject to audit by the Board. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

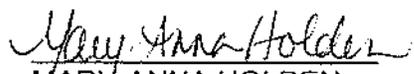
DATED: 4/24/14

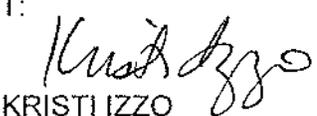
BOARD OF PUBLIC UTILITIES
BY:

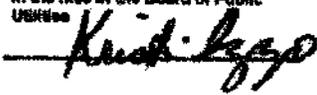

DIANNE SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

KRISTI IZZO
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 ("WNC")
DOCKET NO. GR13070615

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March 17, 2014

In the Matter of the Petition of
Public Service Electric and Gas Company to
Revise its Weather Normalization Charge (WNC)

BPU Docket No. GR13070615

VIA ELECTRONIC & REGULAR MAIL

Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625

Dear Secretary Izzo:

Enclosed for filing, please find a fully executed Stipulation 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 blue ink that reads "Mally Becker".

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)) BPU Dkt. No. GR13070615

APPEARANCES:

Mally Becker, Assistant General Regulatory Counsel, 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, 2013, 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 recover \$26,277,072 in deficiency revenue through the Weather Normalization Charge (WNC) from customers receiving service under Rate Schedules Residential Service (RSG), General Service (GSG) and Large Volume Gas (LVG) during the Winter Period of October 1, 2013 to May 31, 2014. 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 2013-2014 Winter Period of \$0.018676 (\$0.019983 including Sales and Use Tax (SUT)) per balancing therm applicable to Rate Schedules RSG, GSG and LVG. The proposed rate per Balancing Therm reflected the actual results for the 2012-2013 Winter

Period to be recovered from customers during the 2013-2014 Winter Period, with incorporation of the two adjustments described below.

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 final 2012-2013 PSE&G WNC and Tariff on April 29, 2013. Decision and Order, *I/M/O the Petition of PSE&G to Revise Its Weather Normalization Charge*, Dkt. No. GR12060583 (April 29, 2013) (the 2012-2013 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 2012-2013 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 2013-2014 Winter Period. These calculations establish a margin revenue deficiency of \$72,252 resulting solely from the 2012-2013 Winter Period. Only this component of the total deficiency originated from the recent 2012-2013 Winter Period. In calculating the 2013-2014 WNC recovery request, PSE&G represents that it made two adjustments to the margin revenue deficiency in accordance with the WNC Tariff. The Company included:

- \$24,038,523 of carryover deficiency from the 2011-2012 WNC, which was previously approved for carryover to the 2012-2013 Winter Period per the Board's 2012-2013 WNC Order; and,
- \$2,166,297 of the remaining 2011-2012 WNC deficiency of \$40,729,656 approved for recovery over this past 2012-2013 Winter Period. The \$2,166,297 remaining balance is the result of the difference between what was expected to be collected versus what was actually collected over the 2012-2013 Winter Period.

In addition, PSE&G represents that it applied an earnings test to ensure that the WNC does not 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 (October 1, 2012 – September 30, 2013); any portion of which is not recovered shall be deferred. PSE&G also represents that the proposed WNC does not exceed three percent of the RSG total per therm rate.

Following the filing of the Petition, PSE&G, Board Staff, and the Division of Rate Counsel (Rate Counsel), 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 2013-2014 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. Based on rates in effect as of June 1, 2013, with the WNC set to the 2012-2013 Winter Period rate, the impact of the implementation of this rate on a provisional basis for a typical residential gas heating customer receiving Basic Gas Supply Service from the Company and using the winter months and 1,050 therms on an annual basis was a decrease in the annual bill from \$1,124.99 to \$1,118.68 or \$6.31 or approximately 0.56%.

The Provisional Settlement was approved by the Board by Order dated September 18, 2013, and the provisional WNC of \$0.018676 (\$0.019983 including SUT) per balancing therm applicable to Rate Schedules RSG, GSG and LVG for the 2013-2014 Winter Period was implemented effective October 1, 2013. See Decision, *I/M/O the Petition of Public Service Electric and Gas Company to Revise Its Weather Normalization Charge*, Dkt. No. GR13070615 (September 18, 2013); 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 December 10, 2013, PSE&G submitted a response to an interrogatory issued by Rate Counsel that updated the WNC earnings test information contained in the Petition. Identified as RCR-9, the response updated WNC Schedules DMP-WNC-1 through DMP-WNC-4 to incorporate actual financial data and balances through the end of the 2012-2013 Annual Period. In its response to RCR-9, the Company stated that application of 12 months of actual financial data to the BPU-approved WNC formula results in no change to the current (2013-2014) WNC, which the Board provisionally approved on September 18, 2013.

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 recovery by the Company of \$26,277,072 during the 2013-2014 Winter Period from 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 \$0.018676 (\$0.019983 including SUT) per balancing therm applicable to Rate Schedules RSG, GSG and LVG for the 2013-2014 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

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OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

BY:


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Assistant General Regulatory Counsel

Dated: March 13, 2014

BY:


Alex Moreau, Esq.
Deputy Attorney General

Dated: March 14, 2014

DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR

By:


Sarah H. Steindel, Esq.

Dated: March 14, 2014

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

Third Revised Sheet No. 45
Superseding
Second 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, 2013 through May 31, 2014	\$0.018676	\$0.019983
June 1, 2014 through September 30, 2014	\$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 2013-2014 Winter Period are set forth in the table below:

	Normal Degree Days
Oct - 13	252.3
Nov - 13	524.1
Dec - 13	841.0
Jan - 14	992.4
Feb - 14	837.2
Mar - 14	681.3
Apr - 14	353.6
May - 14	128.1

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 26, 2013

Effective: October 1, 2013

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 18, 2013
in Docket No. GR13070615

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Fourth Revised Sheet No. 46

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

Superseding
Third 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 2013-2014 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.-13	122,538	1,199	18,086	1,481	71,048	665	123	7,101
Nov.-13	186,804	4,727	37,767	3,918	71,048	1,099	1,005	7,101
Dec.-13	216,984	6,159	40,828	4,993	71,048	1,992	504	7,101
Jan.-14	231,778	6,577	47,868	5,202	71,364	1,994	504	7,077
Feb.-14	231,765	6,562	49,202	5,428	71,364	1,994	504	7,077
Mar.-14	232,046	6,544	41,657	5,636	71,364	1,994	504	7,077
Apr.-14	200,930	7,871	34,564	5,743	71,364	1,198	181	7,077
May-14	165,244	8,210	20,374	5,086	71,364	576	-	7,077

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	\$0.278532
Rate Schedule GSG	\$0.235594
Rate Schedule LVG	\$0.037434

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

80 Park Plaza, Newark, New Jersey 07102

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PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Fourth Revised Sheet No. 47

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

Superseding
Third 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 62.67% 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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