



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)
SERVICE ELECTRIC AND GAS COMPANY TO)
REVISE ITS WEATHER NORMALIZATION)
CHARGE FOR THE 2018-2019 ANNUAL PERIOD)
DECISION AND ORDER)
APPROVING STIPULATION FOR)
FINAL WNC RATES)
DOCKET NO. GR18060675)

Parties of Record:

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

BY THE BOARD

By this Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers a Stipulation for Final Weather Normalization Charge Rate ("Stipulation") executed by Public Service Electric and Gas Company ("PSE&G" or "Company"), Board Staff, and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, "Parties") intended to resolve the Company's requests related to the above docketed matter.

BACKGROUND

PSE&G's Weather Normalization Clause ("WNC") tariff was approved by the Board as part of the stipulation of settlement of the Company's base rate case.¹ The WNC tariff requires the Company to calculate the level by which its margin revenues² differed from what would have resulted if normal weather³ had occurred during the prior October through May period ("Winter Period").

On June 26, 2018, PSE&G filed a petition ("2018 WNC Petition") with the Board requesting approval to recover \$14,265,094 through its Weather Normalization Charge ("WNC") over the 2018-2019 Winter Period (i.e., October 1 - May 31). As part of the 2018 WNC Petition, the

¹ In re 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 (July 10, 2010).

² Margin revenues are distribution revenues from relevant rate classes' per therm charges.

³ The determination of normal weather is based upon a 20-year rolling average of heating degree days for each of the Winter Period months.

Company proposed a WNC rate of \$0.009676 [\$0.010317 including New Jersey Sales and Use Tax ("SUT")] per balancing therm, to be recovered over the 2018-2019 Winter Period. 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").⁴ Any excess or deficiency in margin revenues when compared to normal will subsequently be credited or charged to customers over the 2019-2020 Winter Period.

The Company is required to calculate, at the end of each 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 2017-2018 Winter Period is defined in the Company's WNC Tariff. On January 15, 2019, PSE&G updated the filing with actual results for the months of June through September 2018, which resulted in a total WNC balance to be collected of \$14,297,150.

In accordance with the Company's 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 and that the revised tariff sheets reflect updated Degree Day Consumption Factors for the 2018-2019 Winter Period. These calculations, as updated, establish margin revenue over recovery of \$8,846,178. In calculating the request for recovery, the Company made one adjustment to the margin revenue over recovery. Specifically, in the April 2018 Order, the Board approved the collection of \$54,738,895 through the WNC of which it proposed \$31,882,242 was to be recovered over the 2017-2018 Winter Period ("Part I"), with the remaining deficiency of \$22,856,653 to be recovered over the 2018-2019 Winter Period ("Part II"). The full recovery of the \$54,738,895 was limited for the 2017-2018 Winter Period due to the application of the 3% rate cap. Based on actual results, the Company collected \$31,595,567 of the anticipated Part I amount of \$31,882,242, resulting in a balance of \$286,675 to be carried over and added to Part II amount of \$22,856,653. This amount computes to \$23,143,328 (\$286,675 plus \$22,856,653) of the remaining deficiency from the 2016-2017 Winter Period to be collected from customers over the 2018-2019 Winter Period. This amount offset against the over recovery of \$8,846,178 resulted in a final WNC balance of \$14,297,150 to be collected over the 2018-2019 Winter Period.

Since the 2018 WNC Petition sought a decrease in rates, it was determined that public hearings were not necessary.

On October 29, 2018, the Board issued an Order ("October 2018 Provisional Order") in this docket which approved a stipulation executed by the Parties. The October 2018 Provisional Order authorized PSE&G to implement the proposed WNC rate of \$0.010317 per balancing therm, including SUT, on a provisional basis for services rendered on or after November 1, 2018. As a result of the provisionally approved WNC rate, the annual bill of a typical residential customer using 165 therms in a winter month and 1,010 therms on an annual basis would experience a decrease in their annual bill from of \$7.80 or approximately 0.89%.

Subsequent to the October 29, 2018 provisional approval, PSE&G made a compliance filing on December 28, 2018 in response to the Board's Order in the Company's petition for Approval of Gas Base Rate Adjustments Pursuant to its Gas System Modernization Program ("July 2018

⁴ The Board approved the permanent 2017-2018 PSE&G WNC rate and Tariff on April 25, 2018, In re the Petition of PSE&G to Revise Its Weather Normalization Charge for the 2017-2018 Annual Period, Docket No. GR17060720 (April 25, 2018). ("April 2018 Order")

GSMP Rate Filing") in Docket No. GR18070831. As a result of the settlement of the GSMP Rate Filing, the Margin Revenue Factors for Rate Schedules RSG, GSG, and LVG were updated in Tariff Sheets No. 46 effective January 1, 2019.

As noted above, on January 15, 2019, the Company updated the filing with actual results for the months of June through September 2018, which resulted in a total WNC balance of \$14,297,150 to be collected.

STIPULATION

Following further review and discussion, the Parties entered into the Stipulation on February 11, 2019. The key elements of the Stipulation are as follows:⁵

1. The Parties request that the Board issue an Order confirming as final the collection by the Company of \$14,297,150 which will be recovered during the 2018-2019 Winter Period from PSE&G gas customers who take service through Rate Schedules RSG, GSG, and LVG, with any deficiency or over-collection to be reflected in the WNC balance used to calculate the weather normalization rate for the 2019-2020 Winter Period in accordance with the terms of the Company's WNC tariff.
2. The Parties stipulate and request that the Board approve as final PSE&G's WNC of \$0.009676 without SUT (\$0.010317 including SUT) per balancing term applicable to Rate Schedules RSG, GSG, and LVG for the 2018-2019 Winter Period. PSE&G's Gas WNC Tariff sheet Nos. 45, 46 and 47 (provided in Attachment A of the Stipulation) and customers' bills will not change as a result of this settlement for the final WNC.
3. As a result of the final WNC rate set forth in Attachment A of the Stipulation, a typical residential gas heating customer using 172 therms in a winter month and 1,040 therms annually would receive no change from their current annual bill of \$893.03. This is based upon current Delivery Rates effective January 1, 2019 and assuming the customer is receiving Basic Gas supply Service from the Company.

DISCUSSION AND FINDING

The Board has carefully reviewed the record in this proceeding and the attached Stipulation. The Board **HEREBY FINDS** that subject to the terms and conditions set forth below, the Stipulation to be reasonable, in the public interest, and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation as its own as if fully set forth herein.

The Board **HEREBY ORDERS** that the existing WNC rate of \$0.010317, inclusive of SUT, remain in effect and shall be deemed the final WNC rate for the 2018-2019 Winter Period.

The Company is **HEREBY DIRECTED** to file the appropriate tariff sheets conforming to the terms and conditions of this Order by April 1, 2019.

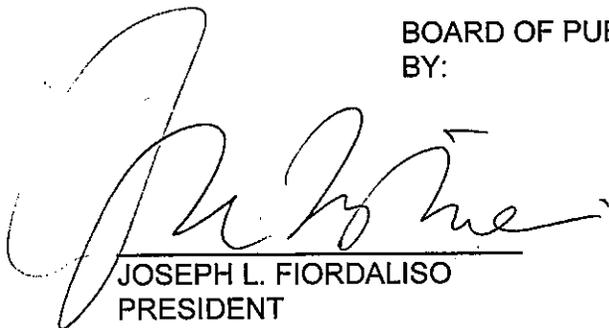
⁵ Although summarized in this Order, the detailed terms of the Settlement are controlling, subject to the findings and conclusions of this Order.

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

The effective date of this Order is March 23, 2019.

DATED: 3/13/19

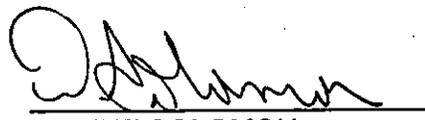
BOARD OF PUBLIC UTILITIES
BY:



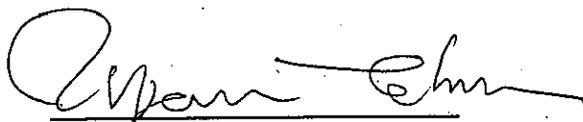
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COMMISSIONER



DIANNE SOLOMON
COMMISSIONER

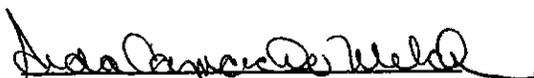


UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
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 2018-2019
ANNUAL PERIOD - BPU DOCKET No. GR18060675

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February 11, 2019

In The Matter of the Petition of
Public Service Electric and Gas Company
to Revise its Weather Normalization Charge
for the 2018-2019 Annual Period

BPU Docket No. GR18060675

VIA E-MAIL & OVERNIGHT DELIVERY

Aida Camacho-Welch, Secretary
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Camacho-Welch:

Attached please find an original and ten (10) copies of the executed Settlement by all parties that resolves the issues in the above-referenced matter.

Thank you for your consideration to this matter.

Very truly yours,

A handwritten signature in blue ink, appearing to be "Justin B. Incardone", written in a cursive style.

Justin B. Incardone

c: Attached Service List (E-Mail)

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF)	STIPULATION OF
PUBLIC SERVICE ELECTRIC AND GAS)	SETTLEMENT FOR FINAL
COMPANY TO REVISE ITS WEATHER)	WEATHER
NORMALIZATION CHARGE (WNC))	NORMALIZATION CHARGE
FOR THE 2018-2019 ANNUAL PERIOD)	BPU Dkt. No. GR18060675

APPEARANCES:

Matthew M. Weissman, Esq., General State Regulatory Counsel, and **Justin B. Incardone**, Esq., Associate General Regulatory Counsel, Esq., for the Petitioner, Public Service Electric and Gas Company

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

Alex Moreau, **Patricia Krogman**, and **Emma Yao Xiao**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of New Jersey)

On June 26, 2018, Public Service Electric and Gas Company (“PSE&G” or “Company”) filed its Petition with the New Jersey Board of Public Utilities (“Board” or “BPU”) requesting approval to recover \$14,265,094 through its Weather Normalization Charge (“WNC”) over the 2018-2019 Winter Period (*i.e.*, October 1-May 31). On January 15, 2019, PSE&G updated the filing with actual results for the months of June through September 2018, which resulted in a total WNC balance to be collected of \$14,297,150. The WNC would be collected from PSE&G gas customers receiving service under Rate Schedules Residential Service (“RSG”), General Service (“GSG”), and Large Volume Gas (“LVG”) during the 2018-2019 Winter Period.

As part of this Petition, PSE&G proposed a WNC per Balancing Therm for the 2018-2019 Winter Period of \$0.009676 (\$0.010317 including New Jersey Sales and Use Tax (“SUT”)), applicable to the aforementioned rate schedules.

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 2017-2018 PSE&G WNC rate and Tariff on April 25, 2018. Decision and Order, *I/M/O the Petition of PSE&G to Revise Its Weather Normalization Charge for the 2017-2018 Annual Period*, Dkt. No. GR17060720 (April 25, 2018).

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 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 2017-2018 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 2018-2019 Winter Period.

These calculations, as updated, establish a margin revenue over recovery of \$8,846,178. In calculating the 2018-2019 WNC request for recovery, PSE&G represents that it has made one adjustment to the margin revenue over recovery in accordance with the WNC Tariff. More specifically, in Docket No. GR17060720, the Board approved the collection of \$54,738,895 through the WNC, of which \$31,882,242 was to be recovered over the 2017-2018 Winter Period (“Part I”), with the remaining deficiency of \$22,856,653 to be recovered over the 2018-2019 Winter Period (“Part II”). The full recovery of the \$54,738,895 was limited for the 2017-2018 Winter Period due to the application of the 3% rate cap. Based on actual results, the Company collected \$31,595,567 of the anticipated Part I amount of \$31,882,242, resulting in a balance of \$286,675 to be carried over and added to the part II amount of \$22,856,653. As such, this computes to \$23,143,328 (\$286,675 plus \$22,856,653) of remaining deficiency from the 2016-2017 Winter Period to be collected from customers over the 2018-2019 Winter Period. This amount, offset against the over recovery of \$8,846,178, resulted in a final WNC balance of \$14,297,150 to be collected over the 2018-2019 Winter Period.

On September 25, 2018, PSE&G, Board Staff, and the New Jersey Division of Rate Counsel (“Rate Counsel”) (collectively, the “Parties”) entered into and filed at the Board a “Stipulation for Provisional Weather Normalization Charge” (“Provisional Settlement”) with respect to the Company’s WNC for the 2018-2019 Winter Period, which specified a WNC of \$0.009676 without SUT (\$0.010317 including SUT) per balancing term applicable to Rate Schedules RSG, GSG, LVG as reasonable. Among other things, the Provisional Settlement provides that changes to

the WNC were “on a provisional basis, subject to true-up of the earnings of the Annual Period. . . .” (Provisional Settlement, page 4, para. 3).

The Board, by Order dated October 29, 2018, approved the Provisional Settlement and the provisional rate of \$0.009676 without SUT (\$0.010317 including SUT) per balancing term applicable to Rate Schedules RSG, GSG, and LVG for the 2018-19 Winter Period, which was implemented effective November 1, 2018. *Decision and Order Approving Stipulation for Provisional WNC Rates*, BPU Dkt. No. GR18060675. The provisional rates were reflected in Gas WNC Tariff Sheet Nos. 45, 46, and 47. 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.

Subsequent to the October 29, 2018 provisional approval, the Company made a compliance filing on December 28, 2018 in response to the Board’s Order in the Company’s petition for Approval of Gas Base Rate Adjustments Pursuant to its Gas System Modernization Program (“July 2018 GSMP Rate Filing”) in Docket No. GR18070831. As a result of the settlement of the GSMP Rate Filing, the Margin Revenue Factors for Rate Schedules RSG, GSG, and LVG were updated in Tariff Sheet No. 46 effective January 1, 2019. The update to the Margin Revenue Factors is reflected in Attachment A; however, it has no impact on the Company’s request in this matter.

As noted above, on January 15, 2019, PSE&G updated the filing with actual results for the months of June through September 2018, which resulted in a total WNC balance to be collected of \$14,297,150.

STIPULATED MATTERS

- 1) The Parties request the BPU issue an Order confirming as final the collection by the Company of \$14,297,150, which will be recovered during the 2018-2019 Winter Period from PSE&G gas customers who take service through Rate Schedules RSG, GSG and LVG, with any deficiency or over-collection to be reflected in the WNC balance used to calculate the weather normalization rate for the 2019-2020 Winter Period in accordance with the terms of the Company's WNC Tariff.
- 2) The Parties stipulate and request that the BPU approve as final PSE&G's WNC of \$0.009676 without SUT (\$0.010317 including SUT) per balancing term applicable to Rate Schedules RSG, GSG, and LVG for the 2018-2019 Winter Period. PSE&G's Gas WNC Tariff Sheet Nos. 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) As a result of the final WNC rate set forth in Attachment A, a typical residential gas heating customer using 172 therms in a winter month and 1,040 therms annually would receive no change from their current annual bill of \$893.03. This is based upon current Delivery Rates effective January 1, 2019 and assuming the customer is receiving Basic Gas Supply Service from the Company.
- 4) 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.

- 5) The Parties further 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.

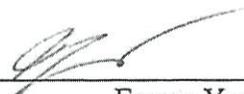
PUBLIC SERVICE ELECTRIC AND GAS
COMPANY

BY: 

Matthew M. Weissman
General State Regulatory Counsel

DATED: February 7, 2019

GURBIR S. GREWAL
ATTORNEY GENERAL OF
NEW JERSEY
Attorney for the Staff of the Board of Public
Utilities

BY: 

Emma Yao Xiao
Deputy Attorney General

DATED: February 11, 2019

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

BY: 

Sarah H. Steindel, Esq.
Assistant Deputy Rate Counsel

DATED: February 11, 2019

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

B.P.U.N.J. No. 16 GAS

Original 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, 2018 through May 31, 2019	\$0.009676	\$0.010317
June 1, 2019 through September 30, 2019	\$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 2018-2019 Winter Period are set forth in the table below:

Normal Degree Days	
Oct - 18	240.16
Nov - 18	510.58
Dec - 18	823.87
Jan - 19	989.26
Feb - 19	836.38
Mar - 19	685.38
Apr - 19	350.33
May - 19	125.95

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: October 30, 2018

Effective: November 1, 2018

Issued by SCOTT S. JENNINGS, Vice President Finance – PSE&G

80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated October 29, 2018
in Docket Nos. ER18010029, GR18010030, AX18010001, ER18030231 and GR18060675

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

First Revised Sheet No. 46

B.P.U.N.J. No. 16 GAS

**Superseding
Original 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 2018-2019 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.-18	112,333	2,969	21,899	1,382	79,478	551	-	6,733
Nov.-18	204,207	8,296	28,876	2,623	79,478	1,079	118	6,733
Dec.-18	247,265	10,926	36,712	3,518	79,478	1,372	185	6,733
Jan.-19	262,255	11,336	41,391	3,791	79,926	1,965	215	6,746
Feb.-19	272,434	11,252	45,573	3,897	79,926	1,589	225	6,746
Mar.-19	271,030	12,060	47,137	3,978	79,926	2,105	237	6,746
Apr.-19	246,404	12,334	41,131	4,066	79,926	1,338	212	6,746
May-19	169,357	9,897	29,934	4,128	79,926	733	173	6,746

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	\$0.345322
Rate Schedule GSG	\$0.280009
Rate Schedule LVG	\$0.041697

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, excluding plant held for future use and excluding plant for which the Company receives recovery from clause mechanisms that provide for a return on investment outside of base rates, less Accumulated Depreciation Reserve) less Accumulated Deferred Income Taxes plus working capital associated with Materials and Supplies Inventory and Prepayments 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 54% (the equity percentage of the Company's capital structure).

Date of Issue: December 28, 2018

Effective: January 1, 2019

Issued by SCOTT S. JENNINGS, Vice President Finance – PSE&G

80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated December 18, 2018
in Docket No. GR18070831

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

B.P.U.N.J. No. 16 GAS

Original 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 9.6% 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, currently the Green Programs Recovery Charge, 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 64.56 % 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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80 Park Plaza, Newark, New Jersey 07102

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