



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 COMPAY TO)
REVISE ITS WEATHER NORMALIZATION)
CHARGE FOR THE 2018-2019 ANNUAL PERIOD)
DECISION AND ORDER)
APPROVING STIPULATION FOR)
PROVISIONAL WNC RATES)
DOCKET NO. GR18060675)

Parties of Record:

Justin B. Incardone, Esq., on behalf of Public Service Electric and Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

On June 26, 2018, Public Service Electric and Gas Company (“PSE&G” or “Company”) filed a petition (“2018 WNC Petition”) with the New Jersey Board of Public Utilities (“Board”) seeking approval to adjust its Weather Normalization Clause (“WNC”). By this Decision and Order, the Board considers a stipulation of settlement for a provisional WNC (“Stipulation”) executed by PSE&G, the New Jersey Division of Rate Counsel (“Rate Counsel”) and Board Staff (“Staff”) (collectively, the “Parties”) which is requesting that the Board approve the revised WNC rate on a provisional basis, subject to refund with interest.

BACKGROUND

PSE&G’s WNC tariff was first approved by the Board as part of the stipulation of settlement of the Company’s 2010 base rate case.² The WNC tariff requires the Company to calculate the level by which its margin revenues³ differed from what would have resulted if normal weather⁴ had occurred during the prior October through May period (“Winter Period”).

In the 2018 WNC Petition, PSE&G sought approval to recover \$14,265,094 over the 2018-2019 Winter Period. The base level of normal degree days is defined in PSE&G’s WNC tariff. Any

¹ Commissioner Robert M. Gordon recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter.

² 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, Docket No. GR09050422 (July 10, 2010 Order).

³ Margin revenues are distribution revenues from relevant rate classes’ per therm charges.

⁴ The determination of normal weather is based upon a 20-year rolling average of heating degree days for each of the Winter Period months.

excess or deficiency is to be credited or recovered in the following year during the Winter Period through the WNC.

In the Company's 2017 WNC Petition (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. The Company collected \$31,627,623 of the anticipated Part I amount of \$31,882,242 resulting in a balance of \$254,619 to be carried over and added to the Part II amount of \$22,856,653. This computes to \$23,111,272 of the remaining deficiency from the 2016-2017 Winter Period to be collected from customers over the 2018-2019 Winter Period.

In accordance with the WNC Tariff, the Company 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 established margin revenue over recovery of \$8,846,178. The net effect is the Company's proposed recovery amount of \$14,265,094.

In recovering the \$14,265,094 to be recovered over the 2018-2019 Winter Period, the Company proposed a WNC rate of \$0.010317⁵ per balancing therm⁶ applicable to Residential Service Gas ("RSG"), General Service Gas ("GSG"), and Large Volume Gas ("LVG") customers. If approved by the Board, a typical gas heating customers using 165 therms in a winter month and 1,010 therms on an annual basis would experience a decrease in their annual bill from \$879.22 to \$871.42, a difference of \$7.80 or approximately 0.89%, based upon delivery and commodity rates in effect on September 1, 2018, with the WNC set to the rate that was in effect for the 2017-2018 WNC Winter Period, and assuming the customer receives gas commodity service from PSE&G.

Subsequent to its June 26, 2018 filing, PSE&G made a compliance filing on August 31, 2018 in response to the Board's Order in the Company's petition for approval of electric and gas base rate adjustments pursuant to the Energy Strong Program ("Energy Strong Matter") in Docket Nos. ER18040358 and GR18040359. As a result of the settlement of the Energy Strong Matter, the Margin Revenue Factors for Rate Schedules RSG, GSG, and LVG were updated in Tariff Sheet No. 46 effective September 1, 2018. The update to the Margin Revenue Factors, however, has no impact on the Company's request in this matter.

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

STIPULATION

Because additional time is needed to complete the review of the proposed rates to ensure that the costs are adequately explained, reconciled, and addressed, and the resulting rates are reasonable, the Parties executed the Stipulation. The Stipulation provides the following:⁷

⁵ All rates quoted herein include Sales and Use Tax ("SUT").

⁶ Calculated as therms used from November through March that are above the average usage for the summer months (June through September).

⁷ Although summarized in this Order, the detailed terms of the Settlement are controlling, subject to the findings and conclusions of this Order.

1. The Parties request that the Board provisionally approve PSE&G's WNC of \$0.010317 per balancing therm applicable to Rate Schedules RSG, GSG, and LVG for the 2018-2019 Winter Period. As a result of the stipulated provisional WNC, PSE&G's typical residential gas heating customers using 165 therms in a winter month and 1,010 therms on an annual basis would experience a decrease in their annual bill from \$879.22 to \$871.42 or \$7.80 or approximately 0.89%, based upon Delivery Rates and Basic Gas Supply Service- RSG charges in effect on September 1, 2018, with the WNC set to the rate that was in effect for the 2017-2018 WNC Winter Period, and assuming that the customer receives gas commodity service from PSE&G.
2. The Parties further agree that upon Board approval of the above provisional rate, the Company is authorized to issue revised Gas WNC Tariff Sheet Nos. 45, 46, and 47 to reflect the revised provisional WNC delineated in Paragraph 1 of the Stipulation applicable to gas customers to be effective on November 1, 2018. Copies of the proposed Tariff Sheets are attached to the Stipulation as Exhibit A.
3. The Parties understand that these changes are on a provisional basis, subject to true-up of the earnings for the Annual Period, and subject to an opportunity for a full review of all issues in this matter at the Office of Administrative Law, if necessary, and final approval by the Board.

DISCUSSION AND FINDING

The Board has carefully reviewed the record to date in this proceeding and the attached Stipulation. The Board **HEREBY FINDS** that subject to the terms and conditions set forth below, that 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 APPROVES** on a provisional basis, subject to refund, the Company's implementation of a WNC rate of \$0.010317, inclusive of SUT, and applicable to Rate Schedules RSG, GSG, and LVG for the 2018-2019 Winter Period to be effective for service rendered on and after November 1, 2018. As a result of the stipulated provisional WNC, 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 a decrease in their annual bill from \$879.22 to \$871.42 or \$7.80 or approximately 0.89%, based upon delivery rates and commodity charges in effect on September 1, 2018, with the WNC set to the rate that was in effect for the 2017-2018 WNC Winter Period, and assuming that the customer receives gas commodity service from PSE&G.

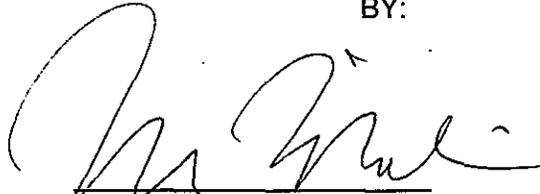
The Board **HEREBY DIRECTS** to file the appropriate tariff sheets conforming to the terms and conditions of this Order by November 1, 2018.

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.

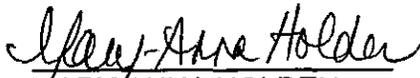
The effective date of this Order is November 1, 2018.

DATED: 10/29/18

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARYANNA HOLDEN
COMMISSIONER

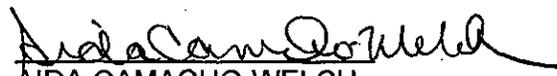


DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
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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September 26, 2018

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

Enclosed for filing by Public Service Electric and Gas Company, please find an original and ten copies of a Stipulation for Provisional Weather Normalization Charge in the captioned matter.

Thank you for your consideration to this matter.

Very truly yours,

A handwritten signature in black ink, consisting of a stylized, cursive letter 'J' followed by a horizontal line that loops back under the 'J'.

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 FOR
PUBLIC SERVICE ELECTRIC AND GAS)	PROVISIONAL WEATHER
COMPANY TO REVISE ITS WEATHER)	NORMALIZATION CHARGE
NORMALIZATION CHARGE (WNC))	BPU Dkt. No. GR18060675
FOR THE 2018-2019 ANNUAL PERIOD)	

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, and **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 the “Company”) filed its Petition with the Board of Public Utilities (“Board” or “BPU”) requesting approval to recover \$14,265,094 over the 2018-2019 Winter Period (*i.e.*, October 1-May 31). The Weather Normalization Charge (“WNC”) will 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 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 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 deficiency 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. The Company collected \$31,627,623 of the anticipated Part I amount of \$31,882,242, resulting in a balance of \$254,619 to be carried over and added to the part II amount of \$22,856,653. As such, this computes to \$23,111,272 (\$254,619 plus \$22,856,653) of remaining deficiency from the 2016-2017 Winter Period to be collected from customers over the 2018-2019 Winter Period.

Subsequent to the June 26, 2018 filing, the Company made a compliance filing on August 31, 2018 in response to the Board’s Order in the Company’s petition for Approval of Electric and Gas Base Rate Adjustments Pursuant to the Energy Strong Program (“Energy Strong Matter”) in Docket Nos. ER18040358 and GR18040359. As a result of the settlement of the Energy Strong Matter, the Margin Revenue Factors for Rate Schedules RSG, GSG, and LVG were updated in Tariff Sheet No. 46 effective September 1, 2018. The update to the Margin Revenue Factors is reflected in Exhibit A; however, it has no impact on the Company’s request in this matter.

PSE&G, Board Staff, and the New Jersey Division of Rate Counsel (“Rate Counsel”) (collectively, the “Parties”), the only Parties to this proceeding, discussed certain matters at issue herein. As a result of those discussions, the Parties have determined that additional time is needed to complete the review of the proposed WNC and other aspects of the Company’s filing. However, the Parties also agree that change in the Company’s proposed WNC for the 2018-2019 Winter Period, on a provisional basis, is reasonable at this time.

NOW THEREFORE, THE PARTIES STIPULATE AND AGREE AS FOLLOWS:

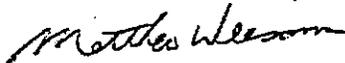
- 1) The Parties stipulate and request that the BPU provisionally approve PSE&G's WNC of \$0.009676 without SUT (\$0.010317 including SUT) per balancing therm applicable to Rate Schedules RSG, GSG, and LVG for the 2018-2019 Winter Period. As a result of the stipulated provisional WNC, PSE&G's typical residential gas heating customers using 165 therms in a winter month and 1,010 therms on an annual basis would experience a decrease in their annual bill from \$879.22 to \$871.42, a difference of \$7.80 or approximately 0.89%, based upon Delivery Rates and BGSS-RSG charges in effect on September 1, 2018, with the WNC set to the rate that was in effect for the 2017-2018 WNC Winter Period, and assuming the customer receives gas commodity service from PSE&G.
- 2) The Parties further agree that upon Board approval of the above provisional rate, the Company is authorized to issue revised Gas WNC Tariff Sheet Nos. 45, 46, and 47 to reflect the revised provisional WNC delineated in Paragraph 1 above applicable to gas customers to be effective on November 1, 2018. Copies of the proposed Tariff Sheets are attached hereto as Exhibit A.
- 3) The Parties understand that these changes are on a provisional basis, subject to true-up of the earnings for the Annual Period, and subject to an opportunity for a full review of all issues in this matter at the Office of Administrative Law, if applicable and necessary, and final approval by the Board.
- 4) The Parties agree that this settlement for the provisional 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.
- 6) The Parties further agree that this settlement for the provisional 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 provisional WNC.

PUBLIC SERVICE ELECTRIC AND GAS
COMPANY

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

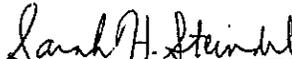
BY: 
Matthew M. Weissman
General State Regulatory Counsel

BY: 
Emma Yao Xiao
Deputy Attorney General

DATED: September 10, 2018

DATED: September 21, 2018

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

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

DATED: September 25, 2018

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

XXX Revised Sheet No. 45
Superseding
XXX 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, 2017 2018 through May 31, 2018 2019	\$0.021647 0.009676	\$0.023081 0.010317
June 1, 2018 2019 through September 30, 2018 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 ~~2017~~2018-~~2018~~-2019 Winter Period are set forth in the table below:

	Normal Degree Days
Oct - 4718	249.24240.16
Nov - 4718	514.67510.58
Dec - 4718	819.31823.87
Jan - 4819	999.69989.26
Feb - 4819	838.55836.38
Mar - 4819	682.34685.38
Apr - 4819	357.62350.33
May - 4819	126.62125.95

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:

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
in Docket No.

Effective:

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

XXX Revised Sheet No. 46
Superseding
XXX 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 ~~2017-2018-2018-2019~~ 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.- 17 <u>18</u>	106,936 112,333	2,872 2,969	39,384 21,899	1,295 1,382	81,860 79,478	545 551	-	6,674 6,733
Nov.- 17 <u>18</u>	195,957 204,207	8,613 8,296	26,279 28,876	2,609 2,623	81,860 79,478	4,075 1,079	445 118	6,674 6,733
Dec.- 17 <u>18</u>	244,474 247,265	11,825 10,926	42,337 36,712	3,494 3,518	81,860 79,478	4,434 1,372	483 185	6,674 6,733
Jan.- 18 <u>19</u>	235,679 262,255	11,758 11,336	57,060 41,391	3,782 3,791	82,274 79,926	2,039 1,965	244 215	6,672 6,746
Feb.- 18 <u>19</u>	240,480 272,434	11,629 11,252	54,776 45,573	3,874 3,897	82,274 79,926	4,638 1,589	222 225	6,672 6,746
Mar.- 18 <u>19</u>	234,564 271,030	12,252 12,060	53,934 47,137	3,933 3,978	82,274 79,926	2,207 2,105	238 237	6,672 6,746
Apr.- 18 <u>19</u>	240,553 246,404	13,559 12,334	43,545 41,131	4,409 4,066	82,274 79,926	4,344 1,338	249 212	6,672 6,746
May- 18 <u>19</u>	464,748 169,357	9,964 9,897	25,772 29,934	4,446 4,128	82,274 79,926	740 733	467 173	6,672 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	\$0.300406 0.300343
Rate Schedule GSG	\$0.247120 0.247074
Rate Schedule LVG	\$0.039778 0.039772

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:

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
in Docket No.

Effective:

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

XXX Revised Sheet No. 47
Superseding
XXX 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 ~~63-5464.56%~~ 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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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:

	<u>Normal Degree Days</u>
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.

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XXX Revised Sheet No. 46

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

**Superseding
XXX 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 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.

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Margin Revenue Factors:

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8. Annual Period

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9. Average 13 Month Common Equity Balance

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**WEATHER NORMALIZATION CHARGE
(Continued)**

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