



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

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC)	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY TO)	APPROVING INITIAL DECISION
REVISE ITS WEATHER NORMALIZATION)	AND STIPULATION FOR FINAL
CHARGE FOR THE 2016-2017 ANNUAL PERIOD)	WNC RATES
))
)	DOCKET NO. GR16070617
)	OAL DOCKET NO. PUC 17605-16

Parties of Record:

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

BACKGROUND

On July 1, 2016, 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 \$0.024391 per balancing term, including Sales and Use Tax ("SUT"), to be applied over the winter period of October 1, 2016 through May 31, 2017 ("2016-2017 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 will subsequently be credited or charged to customers over the 2017-2018 Winter Period.

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

² The WNC Tariff was approved by Board Order dated July 9, 2010, In the Matter of the Petition of PSE&G for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, Docket No. GR09050422, as part of the settlement of the Company's base rate case.

The Petition requested Board approval to recover \$53.789 million of which \$33.156 million would be recovered over the 2016-2017 Winter Period, with the remaining deficiency of \$20.632 million to be recovered over the 2017-2018 Winter Period.

After publication of notice in newspapers of general circulation in the Company's service territory, public hearings were scheduled and conducted in Hackensack, Mount Holly, and New Brunswick, on August 22, 23, and 24, 2016, respectively. Two (2) members of the public appeared and commented on high utility rates and opposition to shutting off service for lack of payment. One (1) member of the public mentioned this filing specifically, expressing general opposition to a weather normalization charge.

By Order dated September 23, 2016 in this docket, the Board approved a stipulation entered into by the Company, Board Staff and the New Jersey Division of Rate Counsel, (collectively, the "Parties"), establishing a provisional WNC rate of \$0.024391 per balancing term, inclusive of SUT, for the 2016-2017 Winter Period for customers that receive commodity service from PSE&G on Rate Schedules RSG, GSG and LVG. This provisional rate was subject to refund after true up. Based on rates in effect at the time, the annual bill for typical PSE&G residential gas heating customers using 1,010 therms increased from \$882.99 to \$916.31, or by \$33.32 (3.77%).

On November 8, 2016, this matter was transmitted to the Office of Administrative Law where it was assigned to Administrative Law Judge ("ALJ") Irene Jones.

In response to discovery, PSE&G provided updated information in this matter. Based on the updated information, the total recovery amount is \$53.746 million, compared to the \$53.789 million in the initial petition. Per the updated information, the Company would recover \$33.548 million over the 2016-2017 Winter Period, while the additional \$20.198 million would be recovered over the 2017-2018 Period.

STIPULATION³

Following further review and discussions, the Parties entered into a Stipulation for Final WNC Rates ("Stipulation"), on March 20, 2017. The key elements of the Stipulation are as follows:

- 1) The Petition included a Gas Plant Held for Future Use balance as part of the Gas Plant in Service balance use in the calculation of the WNC Earnings Test. For purposes of settlement of this proceeding, the Parties agree to exclude Gas Plant Held for Future Use from this earnings test calculation. A revised calculation reflecting exclusion of Plant Held for Future Use shows it does not affect the amount of the margin revenue deficiency that may be recovered during the 2016-2017 Winter Period. The revised calculation is shown in Attachment A to the Stipulation. It is understood and agreed that the Company's exclusion of Plant Held for Future Use is specific to this WNC proceeding. All Parties have the right to argue for the inclusion or exclusion of Plant Held for Future Use in the Company's WNC filing for the 2017-2018 Winter Period and in its next base rate case.

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

- 2) The Parties request that the Board issue an Order confirming as final the collection by the Company of \$53.746 million, of which \$33.548 million will be recovered during the 2016-2017 Winter Period from PSE&G gas customers who take service through Rate Schedule RSG, GSG and LVG, and the remaining \$20.198 million will be added to the WNC balance used to calculate the weather normalization rate for the 2017-2018 Winter Period in accordance with the terms of the Company's WNC Tariff.
- 3) The Parties stipulate and request that the Board approve as final, PSE&G's WNC of \$0.022795 without SUT (\$0.024362 including SUT in effect January 1, 2017)⁴ per balancing term applicable to Rate Schedules RSG, GSG and LVG for the 2016-2017 Winter Period. PSE&G's WNC reflected Tariff Sheet Numbers 45, 46 and 47 (provided in Attachment B to the Stipulation) and customers' bills will not change as a result of this stipulation for the final WNC.

On March 23, 2017, ALJ Jones issued an Initial Decision approving the Settlement, finding that the Parties voluntarily agreed to the terms of the Settlement, the Settlement disposed of all matters in controversy and was consistent with the law.

DISCUSSION AND FINDING

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

The Board **HEREBY ORDERS** that the existing WNC rate of \$0.024362 per balancing term, inclusive of SUT, remain in effect and shall be deemed the final WNC rate for the 2016-2017 Winter Period.

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

⁴On November 14, 2016, the Board issued a Secretary's Letter under Docket No. ER16111054, for all New Jersey electric and gas utilities, pursuant to P.L. 2016, c. 57, that the SUT to be charged to customers for utility service had been changed from 7.0% to 6.875% effective January 1, 2017. As a result, the \$0.024391 rate including SUT was changed to \$0.024362 effective January 1, 2017.

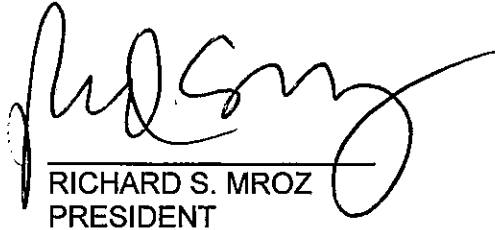
The Board **HEREBY ORDERS** the Company to file tariffs consistent with the Board's Order within five (5) days of service of this Order.

The effective date of this Order is May 1, 2017.

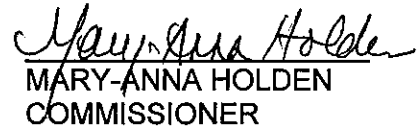
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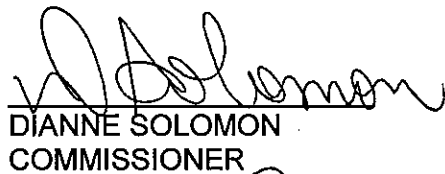
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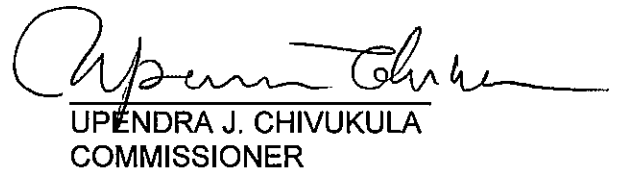
BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT

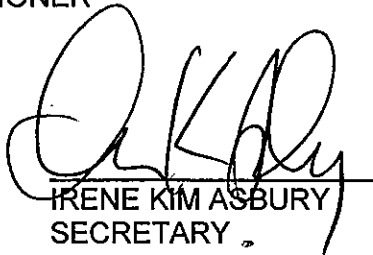

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

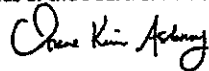

DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:


IRENE KIM ASBURY
SECRETARY

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



IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY
TO REVISE ITS WEATHER NORMALIZATION CHARGE FOR THE 2016-2017 ANNUAL
PERIOD

BPU DOCKET NO. GR16070617
OAL DOCKET NO. PUC 17605-16

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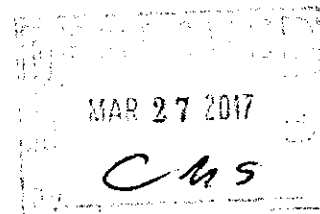
BOARD OF PUBLIC UTILITIES

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW



INITIAL DECISION

SETTLEMENT

OAL DKT. NO.: PUC 17605-16

AGENCY DKT. NO.: GR 16070617

**I/M/O THE PETITION OF PUBLIC SERVICE
ELECTRIC AND GAS COMPANY TO REVISE
IT'S WEATHER NORMALIZATION CHARGE
FOR THE 2016-2017 ANNUAL PERIOD.**

Martin Rothfelder, Esq. for petitioner Public Service Electric and Gas Company.

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

Alex Moreau, Patricia Krogman and Emma Xiao, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Christopher S. Porrino, Attorney General of New Jersey, attorney)

Record Closed: March 21, 2017

Decided: March 23, 2017

Before **IRENE JONES, ALJ**

STATEMENT OF THE CASE

On July 1, 2016, Public Service Electric and Gas Company ("Petitioner" or the "Company"), a public utility of the State of New Jersey filed a petition with the State Board of Public Utilities ("BPU" or "Board") seeking an adjustment in its Weather Normalization Charge ("WNC"). Specifically, the Company requested an increase of \$53,788,660 of which it's proposed that \$33,156,456 be recovered over 2016-2017 winter period with the remaining \$20,632,204 be carried over to the 2017-2018 winter period for recovery.

Public hearings were held on the company's service territory on August 22, 23, 24, 2016. Thereafter, the BPU transmitted the matter to the Office of Administrative Law for determination as a contested case pursuant to N.J.S.A. 52:14F-1 to -13 on November 21, 2016.

After a prehearing conference and discovery, the parties conferred and reached a resolution of the matter, resulting in a Provisional settlement effective October 1, 2016.

A Final Stipulation of Settlement was filed before the undersigned on March 21, 2017 on which date the record was closed. Attached hereto is a copy of the Stipulation of Settlement.

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

I **CONCLUDE** that the Stipulation of Settlement meets the requirements of N.J.A.C. 1:1-19.1 and that it should be approved. It is hereby **ORDERED** that the settlement be and is hereby **APPROVED**, the rates reflected therein be effective on the

OAL DKT. NO.: PUC 17805-16

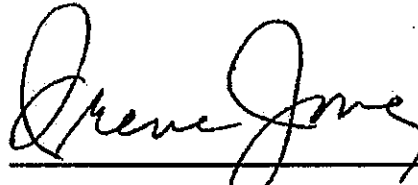
effective date of approval by the BPU of the pertinent tariff sheets, and these proceedings be **CONCLUDED**.

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

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

March 23, 2017

DATE



IRENE JONES, ALJ

Date Received at Agency:

3 | 23 | 17

Date Mailed to Parties:
sej

3 | 23 | 17

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF PUBLIC
SERVICE ELECTRIC AND GAS COMPANY TO
REVISE ITS WEATHER NORMALIZATION
CHARGE (WNC) FOR THE 2016-2017 ANNUAL
PERIOD

STIPULATION OF
SETTLEMENT FOR FINAL
WEATHER NORMALIZATION
CHARGE RATES
BPU Docket No. GR16070617

APPEARANCES:

Matthew M. Weissman, General Regulatory Counsel - Rates, and **Martin C. Rothfelder, Esq.**, Associate General 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 **Maura Caroselli, Esq.**, Assistant Deputy Rate Counsels, for the New Jersey Division of Rate Counsel (**Stefanie A. Brand**, Director)

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

1. On July 1, 2016, Public Service Electric and Gas Company (PSE&G or Company") filed a Petition with the Board of Public Utilities (Board or BPU) requesting approval to recover \$53,788,660 through its Weather Normalization Charge (WNC), of which it proposed \$33,156,456 be recovered over the 2016-2017 Winter Period with the remaining amount of \$20,632,204 to be carried over to the 2017-2018 Winter Period. The PSE&G petition proposes that the revised WNC 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 2016-2017 and 2017-2018 Winter Periods (October 1 – May 31). As part of the Petition, PSE&G proposed a WNC for the 2016-2017 Winter Period of \$0.024391, including New Jersey Sales and Use Tax (SUT), applicable to Rate Schedules RSG, GSG and LVG. The

proposed rate per Balancing Therm reflects the actual results for the 2015-2016 Winter Period to be recovered from customers during the 2016-2017 Winter Period and represents a total amount to be recovered of \$33,547,730 with the remaining amount of \$20,197,944 to be carried over to the 2017-2018 Winter Period.

2. 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 2015-2016 PSE&G WNC rate and Tariff on January 28, 2016. Decision and Order, *I/M/O the Petition of PSE&G to Revise Its Weather Normalization Charge for the 2015-2016 Annual Period*, Dkt. No. GR15060748 (January 28, 2016) (the 2015-2016 WNC Order).

3. 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 2015-2016 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.

4. 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 2016-2017 Winter Period. These calculations establish a margin revenue deficiency of \$61,169,428. In calculating the 2016-2017 WNC request for recovery, PSE&G represents that it has made three adjustments to the margin revenue deficiency in accordance with the WNC Tariff. First, PSE&G applied the earnings test to ensure that the WNC will not permit the Company to recover any portion of a margin revenue deficiency that would cause the Gas Utility to earn in excess of its allowed rate of return on common equity of 10.3% for the Annual Period. As a result of the application of the WNC Earnings Test, there is no adjustment to the 2015-2016 Winter Period margin deficiency of \$61,169,428. Second, PSE&G reduced the 2015-2016 WNC balance by \$7,380,768. The 2015-2016 Winter Period margin revenue deficiency of \$61,169,428 is partially offset by \$7,380,768 from insufficient refunding related to prior years' Winter Period margin revenue excess from the 2014-2015 Winter Period, as approved for recovery per BPU Order dated January 28, 2016 in Docket No. GR15060748. The \$7,380,768 insufficient refunding is the result of the difference between what was expected to be refunded over the 2015-2016 Winter Period versus what was actually refunded to customers over the 2015-2016 Winter Period. Third, PSE&G adjusted its calculation of the WNC to ensure that it does not exceed three percent of the RSG total per therm rate, including RSG-BGSS charges and 63.04% of the Balancing Charge. This adjustment further reduced the WNC deficiency to be recovered in 2016/2017 to \$33,156,456. Thus, the Petition sought authorization to recover \$33,156,456 in the 2016-2017 Winter Period and the remaining deficiency of \$20,632,204 in the 2017-2018 Winter Period, subject to the three adjustments described above.

5. Notice setting forth the Company's July 1, 2016 WNC filing, including the date, time and place of the public hearing, was placed in newspapers having a circulation within the Company's gas service territory and was served on the county executives and clerks of all municipalities within the Company's gas service territory.

6. Public hearings were scheduled and conducted in Hackensack, Mount Holly and New Brunswick on August 22, 23, and 24, 2016, respectively. Two members of the public appeared and expressed general concerns about high utility rates and opposition to shutting off service for lack of payment. One of the members of the public mentioned this filing specifically, expressing general opposition to a weather normalization clause.

7. Subsequent to the July 1, 2016 Filing, the Company made a Compliance Filing on or about August 25, 2016 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. ER16030272 and GR16030273. 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, 2016.

8. On or about September 1, 2016, the Company, Board Staff, and the New Jersey Division of Rate Counsel (Rate Counsel) (collectively, Parties) entered into and filed at the Board of Public Utilities a "Stipulation for Provisional Weather Normalization Charge" ("Provisional Settlement") with respect to the Company's WNC for the 2016-2017 Winter Period, which specified a WNC of \$0.022795 without SUT (\$0.024391 including SUT) per balancing therm applicable to Rate Schedules RSG, GSG and LVG as reasonable. 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.

9. 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 saw an increase in their annual bill from \$882.99 to \$916.31 or \$33.32 or approximately 3.77%, based upon Delivery Rates and BGSS-RSG charges in effect on September 1, 2016, with the WNC set to the rate that was in effect for the 2015-2016 WNC Winter Period, and assuming that the customer receives gas commodity service from PSE&G.

10. The Provisional Settlement was approved by the Board by Order dated September 23, 2016 and the provisional rate of \$0.022795 without SUT (\$0.024391¹ including SUT) per balancing therm applicable to Rate Schedules RSG, GSG and LVG for the 2016-2017 Winter Period was implemented effective October 1, 2016. See Decision and Order Approving Stipulation for Provisional WNC Rates, *I/M/O the Petition of Public Service Electric and Gas Company to Revise Its Weather Normalization Charge for the 2016-2017 Annual Period*, Dkt. No. GR16070617 (August 31, 2016; see also Gas WNC Tariff Sheet Nos. 45, 46, and 47 (attached to the Decision and Order). The existing tariff sheets, reflecting the Board's provisional approval of the WNC rate proposed in the Company's filing, and reflecting SUT effective 1/1/2017, are attached as Attachment B to this Settlement.

¹ On November 14, 2016, the Board issued a Secretary's Letter under Docket No. ER16111054, for all New Jersey Electric and Gas Utilities, pursuant to P.L.2016, c57, which states that that the Sales and Use Tax (SUT) to be charged to customers for utility service has been changed from 7% to 6.875% effective January 1, 2017. As a result, the WNC rate with SUT was changed to \$0.024362 effective January 1, 2017.

STIPULATED MATTERS

The Parties stipulate and agree as follows:


- 1) The Petition included a Gas Plant Held for Future Use balance as part of the Gas Plant in Service balance used in the calculation of the WNC Earnings Test. For purposes of settlement of this proceeding, the Parties agree to exclude Gas Plant Held for Future Use from this earnings test calculation. A revised calculation reflecting exclusion of Plant Held for Future Use shows it does not affect the amount of the margin revenue deficiency that may be recovered during the 2016-2017 Winter Period. The revised calculation is shown in Attachment A to this Stipulation. It is understood and agreed that the Company's exclusion of Plant Held for Future Use is specific to this WNC proceeding. All Parties have the right to argue for the inclusion or exclusion of Plant Held for Future Use in the Company's WNC filing for the 2017-2018 Annual Period and in its next base rate case.
- 2) The Parties request that the BPU issue an Order confirming as final the collection by the Company of \$53,745,674, of which \$33,547,730 will be recovered during the 2016-2017 Winter Period from PSE&G gas customers who take service through Rate Schedules RSG, GSG and LVG, and the remaining \$20,197,944 will be added to the WNC balance used to calculate the weather normalization rate for the 2017-2018 Winter Period in accordance with the terms of the Company's WNC Tariff.
- 3) The Parties stipulate and request that the BPU approve as final, PSE&G's WNC of \$0.022795 without SUT (\$0.024362 including SUT in effect January 1, 2017) per balancing term applicable to Rate Schedules RSG, GSG and LVG for the 2016-2017 Winter Period. PSE&G's WNC reflected Tariff Sheet Numbers 45, 46 and 47 (provided in

Attachment B) and customers' bills will not change as a result of this settlement for the final WNC.

- 4) As a result of the final WNC rate set forth in Attachment B, a typical residential gas heating customer using 165 therms in a winter month and 1,010 therms annually would receive no change from their current annual bill of \$861.02. This is based upon current Delivery Rates effective January 1, 2017 and assuming the customer is receiving Basic Gas Supply Service from the Company.
- 5) 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.
- 6) 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.


- 7) 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 provisional WNC.

PUBLIC SERVICE ELECTRIC AND GAS
COMPANY

BY: 
Martin C. Rothfelder
Associate General Regulatory Counsel

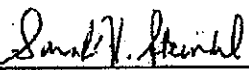
DATED: March 8, 2017

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF
NEW JERSEY
Attorney for the Staff of the Board of Public
Utilities

BY: 
Patricia A. Krogman
Deputy Attorney General

DATED: 3/15/17

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

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

DATED: March 20 2017

PSE&G
Weather Normalization Earnings Test
Annual Period October 1, 2015 to September 30, 2016

Revised January 2017				
	Gas Plant In Service	Accumulated Depreciation	Net Plant In Service	
000's omitted				
September 2015	\$ 6,082,219	\$ (2,231,676)	\$ 3,850,543	Revised Actual
October	\$ 6,123,448	\$ (2,237,541)	\$ 3,885,907	Revised Actual
November	\$ 6,156,673	\$ (2,244,218)	\$ 3,912,456	Revised Actual
December	\$ 6,208,099	\$ (2,246,183)	\$ 3,961,917	Revised Actual
January	\$ 6,232,873	\$ (2,252,064)	\$ 3,980,808	Revised Actual
February	\$ 6,257,378	\$ (2,258,313)	\$ 3,999,065	Revised Actual
March	\$ 6,285,412	\$ (2,262,298)	\$ 4,023,115	Revised Actual
April	\$ 6,313,844	\$ (2,266,706)	\$ 4,047,138	Revised Actual
May	\$ 6,373,033	\$ (2,272,249)	\$ 4,100,783	Revised Actual
June	\$ 6,424,307	\$ (2,272,981)	\$ 4,151,325	Revised Actual
July	\$ 6,470,677	\$ (2,278,411)	\$ 4,192,266	Revised Actual
August	\$ 6,526,484	\$ (2,284,641)	\$ 4,241,843	Revised Actual
September 2016	\$ 6,583,857	\$ (2,288,744)	\$ 4,295,113	Revised Actual
13 Month Average	\$ 6,310,639	\$ (2,261,233)	\$ 4,049,406	
Equity Ratio			40.88%	
Average Equity			\$ 1,655,397,262	
Allowed ROE			10.3%	
Allowed Net Income			(a) \$ <u>170,505,918</u>	
Actual Net Income			(b) \$ 133,521,786	Revised Actual
Maximum Recoverable through WNC - after tax, Year Ended 9/2016			(c) \$ <u>36,984,132</u>	
Gross up factor utilizing Effective Tax Rate of 40.85%			(d) 0.5915	
Maximum Recoverable through WNC - pre-tax, Year Ended 9/2016			(e) \$ <u>62,526,006</u>	
Margin Deferral, as calculated prior to application of earnings test			(f) \$ <u>61,169,428</u>	
Recovery Request from 2015-2016 Winter Period			<u>\$ 61,169,428</u>	

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Seventh Revised Sheet No. 45

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

Superseding
Sixth Revised Sheet No. 45

WEATHER NORMALIZATION CHARGE

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

	Weather Normalization Charge	Weather Normalization Charge including SUT
October 1, 2016 through May 31, 2017	\$0.022795	\$0.024362
June 1, 2017 through September 30, 2017	\$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 2016-2017 Winter Period are set forth in the table below:

	Normal Degree Days
Oct - 16	252.28
Nov - 16	526.39
Dec - 16	815.24
Jan - 17	1,005.70
Feb - 17	843.19
Mar - 17	697.87
Apr - 17	358.62
May - 17	127.53

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: November 29, 2016

Effective: January 1, 2017

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 November 14, 2016

in Docket No. ER16111054

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

Eleventh Revised Sheet No. 46
Superseding
Tenth 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 2016-2017 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.-16	100,265	2,673	19,191	1,362	80,283	562	-	6,492
Nov.-16	190,882	8,849	68,910	2,643	80,283	1,081	118	6,492
Dec.-16	239,811	11,768	48,258	3,467	80,283	1,337	177	6,492
Jan.-17	233,722	11,237	55,560	3,774	80,741	2,057	218	6,474
Feb.-17	238,933	11,359	58,053	3,917	80,741	1,638	227	6,474
Mar.-17	230,820	11,787	51,713	3,851	80,741	2,208	238	6,474
Apr.-17	206,269	12,110	39,255	3,903	80,741	1,282	206	6,474
May-17	159,370	9,518	24,802	4,256	80,741	683	143	6,474

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

7. Margin Revenue Factor

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

Margin Revenue Factors:

Rate Schedule RSG	\$0.307818
Rate Schedule GSG	\$0.251844
Rate Schedule LVG	\$0.040814

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: December 29, 2016

Effective: January 1, 2017

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 12, 2016

in Docket No. GO16070711

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Seventh Revised Sheet No. 47

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

Superseding
Sixth Revised Sheet No. 47

WEATHER NORMALIZATION CHARGE
(Continued)

II. DETERMINATION OF THE WEATHER NORMALIZATION RATE

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

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

The total WNC balance at September 30 of the Annual Period shall be divided by the estimated applicable balancing term sales from the rate schedules subject to this clause for the Annual Period over which this rate will be in effect, multiplied by a factor to adjust for increases in taxes and assessments. The product of this calculation shall be the Weather Normalization Charge. However, the Weather Normalization Charge will at no time exceed three (3%) percent of the then applicable RSG total per therm rate, including RSG-BGSS charges and 63.04% of the Balancing Charge. To the extent that the effect of this rate cap precludes the Company from fully recovering the WNC balance for the Annual Period, the unrecovered balance will be added to the WNC balance used to calculate the weather normalization rate for the next Winter Period. The Weather Normalization Charge, so calculated, will be in effect for the immediately following Annual Period.

III. TRACKING THE OPERATION OF THE WEATHER NORMALIZATION CLAUSE

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

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

Date of Issue: September 27, 2016

Effective: October 1, 2016

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 September 23, 2016
in Docket No. GR16070617