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Just
4/7/18

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MAIL ROOM

APR 05 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ



April 4, 2018

In The Matter of the Petition of Public
Service Electric and Gas Company to
Revise its Weather Normalization Charge (WNC)
for the 2017-2018 Annual Period
BPU Docket No. GR17060720

 ORIGINAL

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

RECEIVED
CASE MANAGEMENT

APR 05 2018

BOARD OF PUBLIC UTILITIES
TRENTON, NJ

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".

Justin B. Incardone

c: Attached Service List (E-Mail) ✓

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Legal

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APR 05 2018

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES BOARD OF PUBLIC UTILITIES
TRENTON, NJ

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY TO REVISE ITS WEATHER)
NORMALIZATION CHARGE (WNC))
FOR THE 2017-2018 ANNUAL PERIOD)
STIPULATION OF)
SETTLEMENT FOR FINAL)
WEATHER NORMALIZATION)
CHARGE RATE)
BPU Dkt. No. GR17060720

APPEARANCES:

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

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

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

On June 29, 2017, Public Service Electric and Gas Company (“PSE&G” or the “Company”) filed a Petition with the Board of Public Utilities (“Board” or “BPU”) requesting approval to recover \$54,738,895 through its Weather Normalization Charge (“WNC”), of which it proposed \$31,882,242 be recovered in the 2017-2018, October 1 to May 31 period (“Winter Period”), with the remaining deficiency of \$22,856,653 to be recovered over the 2018-2019 Winter Period. The 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 2017-2018 and 2018-2019 Winter Periods (October 1 – May 31).

As part of its Petition, PSE&G proposed a WNC for the 2017-2018 Winter Period of \$0.023135, 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 2016-2017 Winter Period to be recovered from customers during the 2017-2018 Winter Period and represents a total amount to be recovered of \$31,882,242, with the remaining deficiency of \$22,856,653 to be carried over to the 2018-2019 Winter Period.

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 2016-2017 PSE&G WNC rate and Tariff on April 21, 2017. Decision and Order, *I/M/O the Petition of PSE&G to Revise Its Weather Normalization Charge for the 2016-2017 Annual Period*, Dkt. No. GR16070617 (April 21, 2017).

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 2017-2018 Winter Period.

These calculations establish a margin revenue deficiency of \$30,843,325. In calculating the 2017-2018 WNC request for recovery, PSE&G represents that it has made two adjustments to the margin revenue deficiency in accordance with the WNC Tariff. First, in Docket No. GR16070617, the Board approved the collection of \$53,745,674 through the WNC of which \$33,547,730 was to be collected from October 1, 2016 through May 31, 2017, and \$20,197,944 was expected to be added to the WNC balance to be used to calculate the WNC rate for the 2017-2018 Winter Period. Due to the warmer than normal 2016-2017 winter weather, customer volumes were lower than anticipated, which resulted in a shortfall of the 2016-2017 Winter Period collections. The Company collected \$29,850,104, resulting in a balance of \$23,895,570 to be carried over to the 2017-2018 Winter Period. Second, the total WNC balance to be collected was further adjusted in PSE&G's 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 63.54% of the Balancing Charge. This adjustment reduces the WNC deficiency to \$31,882,242. The remaining deficiency of \$22,856,653 is anticipated to be carried over to the 2018-2019 Winter Period. PSE&G represents that it applied the earnings test in accordance with the WNC Tariff, and that no adjustment was required to assure the Company does not earn in excess of its allowed rate of return.

On September 14, 2017, 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 2017-2018 Winter Period, which specified a WNC of \$0.021647 without SUT (\$0.023135 including SUT) per balancing term 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, para. 3, page 5).

The Board, by Order dated September 22, 2017, approved the Provisional Settlement and the provisional rate of \$0.021647 without SUT (\$0.023135¹ including SUT) per balancing term applicable to Rate Schedules RSG, GSG, and LVG for the 2017-2018 Winter Period, which was implemented effective October 1, 2017. *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 2017-2018 Annual Period*, BPU Dkt. No. GR17060720 (September 22, 2017). The provisional rates were reflected in Gas WNC Tariff Sheet Nos. 45, 46, and 47.

Subsequent to the September 22, 2017 provisional approval, PSE&G made a Compliance Filing on December 21, 2017 in response to the Board's Order in the Company's Petition for Approval of Gas Base Rate Adjustments Pursuant to the Gas System Modernization Program ("GSMP") in Docket No. GR17070775. As a result of the settlement in this GSMP matter, the Margin Revenue Factors for Rate Schedules RSG, GSG, and LVG were updated in Tariff Sheet No. 46 effective January 1, 2018. The update to the Margin Revenue Factors has no impact on the Company's request in this matter.

¹ On September 26, 2017, the Board issued a Secretary's Letter under Docket No. ER17090984 for all New Jersey Electric and Gas Utilities, pursuant to P.L.2016, c.57, which states that the Sales and Use Tax (SUT) to be charged to customers for utility service has been changed from 6.875% to 6.625% effective January 1, 2018. As a result, the WNC rate with SUT was changed to \$0.023081 effective January 1, 2018.

The existing tariff sheets, reflecting the Board's provisional approval of the WNC rate proposed in the Company's filing, and reflecting SUT effective 1/1/2018, are attached as Attachment B to this Settlement.

STIPULATED MATTERS

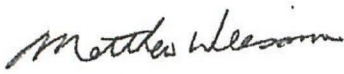
The Parties stipulate and agree as follows:

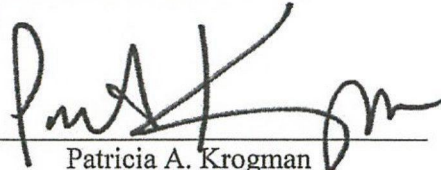
- 1) The Petition included a Gas Plant Held for Future Use balance as part of the Gas Plant in Service balance used in the calculation of the WNC Earnings Test. For purposes of settlement of this proceeding, the Parties agree to exclude Gas Plant Held for Future Use from this earnings test calculation. 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 2017-2018 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 2018-2019 Annual Period and in its next base rate case.
- 2) The Parties request the BPU issue an Order confirming as final the collection by the Company of \$54,736,714, of which \$31,882,242 will be recovered during the 2017-2018 Winter Period from PSE&G gas customers who take service through Rate Schedules RSG, GSG and LVG, and the remaining \$22,854,472 will be added to the WNC balance used to calculate the weather normalization rate for the 2018-2019 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 \$0.021647 without SUT (\$0.023081 including SUT in effect on January 1, 2018) per balancing therm applicable to Rate Schedules RSG, GSG, and LVG for the 2017-2018 Winter Period. PSE&G's Gas WNC Tariff Sheet Nos. 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 \$902.54. This is based upon current Delivery Rates effective January 1, 2018 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 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

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

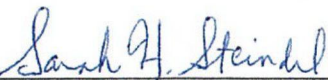
BY: 
Matthew M. Weissman
General Regulatory Counsel - Rates

BY: 
Patricia A. Krogman
Deputy Attorney General

DATED: April 2, 2018

DATED: April 4, 2018

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

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

DATED: April 4, 2018

PSE&G
Weather Normalization Earnings Test
Annual Period October 1, 2016 to September 30, 2017

	Revised March 2018			
	Gas	Accumulated	Net	
	Plant In Service	Depreciation	Plant in Service	
	000's omitted			
September 2016	\$ 6,487,672	\$ (2,288,751)	\$ 4,198,921	Revised Actual
October	\$ 6,547,950	\$ (2,293,187)	\$ 4,254,763	Revised Actual
November	\$ 6,605,219	\$ (2,299,875)	\$ 4,305,344	Revised Actual
December	\$ 6,657,335	\$ (2,281,168)	\$ 4,376,166	Revised Actual
January	\$ 6,688,106	\$ (2,286,662)	\$ 4,401,444	Revised Actual
February	\$ 6,731,157	\$ (2,292,473)	\$ 4,438,684	Revised Actual
March	\$ 6,772,406	\$ (2,296,492)	\$ 4,475,914	Revised Actual
April	\$ 6,822,003	\$ (2,298,575)	\$ 4,523,429	Revised Actual
May	\$ 6,888,889	\$ (2,302,550)	\$ 4,586,339	Revised Actual
June	\$ 6,946,170	\$ (2,303,946)	\$ 4,642,224	Revised Actual
July	\$ 7,002,608	\$ (2,308,789)	\$ 4,693,819	Revised Actual
August	\$ 7,097,075	\$ (2,312,412)	\$ 4,784,663	Revised Actual
September 2017	\$ 7,170,472	\$ (2,313,586)	\$ 4,856,886	Revised Actual
13 Month Average	\$ 6,801,313	\$ (2,298,344)	\$ 4,502,969	Calculated
Equity Ratio			40.88%	Per WNC Tariff
Average Equity			\$ 1,840,813,713	
Allowed ROE			10.3%	Per WNC Tariff
Allowed Net Income			<u>(a) \$ 189,603,812</u>	
Forecasted Net Income (1)			(b) \$ 157,218,549	From Sch DMP-WNC-2b
Maximum Recoverable through WNC - after tax, Year Ended 9/2017			<u>(c) \$ 32,385,263</u>	(a) minus (b)
Gross up factor utilizing Effective Tax Rate of 40.85%			(d) 0.5915	Sum of 1- 40.85%
Maximum Recoverable through WNC - pre-tax, Year Ended 9/2017			<u>(e) \$ 54,751,079</u>	(c) divided by (d)
Margin Deferral, as calculated prior to application of earnings test			<u>(f) \$ 30,843,325</u>	From Sch DMP-WNC-1
Recovery Request from 2016-2017 Winter Period			<u>\$ 30,843,325</u>	Lower of (e) vs. (f) To Schedule DMP-WNC-4

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Tenth Revised Sheet No. 45

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

Superseding
Ninth 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 through May 31, 2018	\$0.021647	\$0.023081
June 1, 2018 through September 30, 2018	\$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 Winter Period are set forth in the table below:

	<u>Normal Degree Days</u>
Oct - 17	249.24
Nov - 17	514.57
Dec - 17	819.31
Jan - 18	999.69
Feb - 18	838.55
Mar - 18	682.31
Apr - 18	357.52
May - 18	126.62

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 20, 2017

Effective: January 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 September 26, 2017
in Docket No. ER17090984

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

Fifteenth Revised Sheet No. 46
Superseding
Fourteenth 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 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	106,936	2,872	39,384	1,295	81,860	545	-	6,671
Nov.-17	195,957	8,613	26,279	2,609	81,860	1,075	115	6,671
Dec.-17	244,471	11,825	42,337	3,494	81,860	1,434	183	6,671
Jan.-18	235,679	11,758	57,050	3,782	82,274	2,039	214	6,672
Feb.-18	240,480	11,629	54,776	3,874	82,274	1,638	222	6,672
Mar.-18	234,561	12,252	53,931	3,933	82,274	2,207	238	6,672
Apr.-18	210,553	13,559	43,515	4,109	82,274	1,344	219	6,672
May-18	164,748	9,961	25,772	4,446	82,274	710	167	6,672

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	\$0.321832
Rate Schedule GSG	\$0.259499
Rate Schedule LVG	\$0.042686

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 21, 2017

Effective: January 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 December 19, 2017
in Docket No. GR17070775

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

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

Ninth Revised Sheet No. 47

Superseding
Eighth 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 63.54% 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, 2017

Effective: October 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 September 22, 2017
in Docket No. GR17060720