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September 4, 2020

In The Matter of the Petition of
Public Service Electric and Gas Company
to Revise its Weather Normalization Charge
for the 2020-2021 Annual Period

BPU Docket No. GR20060470

VIA ELECTRONIC MAIL

Aida Camacho-Welch, Secretary
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Camacho-Welch:

Attached is the fully executed Stipulation in the above-reference matter. If you have any questions regarding this filing, do not hesitate to contact me.

Thank you for your consideration to this matter.

Very truly yours,

A handwritten signature in blue ink that reads "Matthew Weissman".

Matthew M. Weissman

c: Attached Service List (E-Mail)

WNC 2020
GR20060470

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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)	BPU Dkt. No. GR20060470
FOR THE 2020-2021 ANNUAL PERIOD)	

APPEARANCES:

Matthew M. Weissman, Esq., Managing Counsel, State Regulatory, and **Katherine E. Smith**, Esq., Associate General Regulatory Counsel, for the Petitioner, Public Service Electric and Gas Company

Brian O. Lipman, Esq., Litigation Manager, **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)

Matko Ilic, Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (**Gurbir S. Grewal**, Attorney General of New Jersey)

On June 29, 2020, Public Service Electric and Gas Company (“PSE&G” or “Company”) filed a petition with the New Jersey Board of Public Utilities (“Board” or “BPU”) requesting approval to recover from customers \$33,742,007 over the 2020-2021 Winter Period (*i.e.*, October 1-May 31) (“2020 WNC Petition”). The Weather Normalization Charge (“WNC”) will be recovered from PSE&G gas customers receiving service under Rate Schedules: Residential Service (“RSG”), General Service (“GSG”), and Large Volume Gas (“LVG”) during the 2020-2021 Winter Period.

As part of its 2020 WNC Petition, PSE&G proposed a WNC of \$0.019308 per balancing therm excluding New Jersey Sales and Use Tax (“SUT”) (\$0.020587 per balancing therm including SUT).

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. See 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 current 2019-2020 PSE&G WNC tariff and credit rate of \$0.004800 per balancing therm without New Jersey SUT (a credit rate of \$0.005118 per balancing therm with SUT) on February 19, 2020. See Decision and Order, *I/M/O the Petition of PSE&G to Revise Its Weather Normalization Charge for the 2019-2020 Annual Period*, Dkt. No. GR19060761 (February 19, 2020).

In calculating the proposed WNC, PSE&G represents that it utilized calculations required by the July 2010 Order and reflected in its 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 2019-2020 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 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 2020 WNC Petition reflect updated Degree Day Consumption Factors for the 2020-2021 Winter Period.

These calculations establish a margin revenue deficiency of \$33,939,806 for the 2019-2020 Winter Period. In calculating the 2020-2021 WNC request for recovery, PSE&G represents that

it has made one adjustment to the margin revenue deficiency in accordance with the WNC tariff. Specifically, in Docket No. GR19060761, the proceeding in which PSE&G established the WNC for the 2019-2020 Winter Period, the Board approved the refund of \$8,201,995 over the 2019-2020 Winter Period. Due to the warmer than normal 2019-2020 winter weather, customer volumes were lower than anticipated which resulted in a shortfall of the 2019-2020 Winter Period refund. The Company refunded only \$8,004,196, resulting in a remaining balance to be refunded to customers of \$197,799. The margin revenue deficit of \$33,939,806 (which is the margin revenue deficiency over the warmer-than-normal winter of 2019-2020), net of the remaining balance of \$197,799 that was not returned to customers due to that warmer-than-normal winter, results in a total deficit of \$33,742,007.

PSE&G, Board Staff, and the New Jersey Division of Rate Counsel (“Rate Counsel”) (collectively, “Parties”), the only parties to this proceeding, discussed certain matters at issue herein. As a result of those discussions, the Parties determined that additional time is needed to complete the review of the proposed WNC rate.

NOW THEREFORE, THE PARTIES STIPULATE AND AGREE AS FOLLOWS:

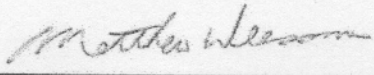
- 1) The Parties agree that \$10,000,000 of the \$33,742,007 deficit will be recovered over the 2020-2021 Winter Period and the remaining eligible amount, with interest calculated at the rate applied to under/over balances of PSE&G’s Green Program Recovery Charge, either will be recovered through any over-recoveries during the 2020-2021 Winter Period in the event of a colder than normal winter or, to the extent insufficient, will be carried over to the 2021-2022 Winter Period.

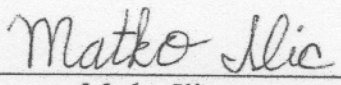
- 2) The Parties request that the BPU provisionally approve recovery from customers of PSE&G's WNC rate of \$0.005722 without SUT, a WNC rate of \$0.006101 including SUT, per balancing therm for the 2020-2021 Winter Period.
- 3) As a result of the stipulated provisional WNC rate, PSE&G's typical residential gas heating customers using 172 therms in a winter month and 1,040 therms on an annual basis would experience an increase in their annual bill from \$872.72 to \$880.48, an increase of \$7.76 or approximately 0.89%, based upon Delivery Rates and BGSS-RSG charges in effect on September 1, 2020 and assuming the customer receives gas commodity service from PSE&G.
- 4) 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 rate delineated in Paragraph 2 above applicable to gas customers to be effective on October 1, 2020. Copies of the proposed tariff sheets are attached hereto as Exhibit A.
- 5) The Parties understand that these changes are on a provisional basis 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.
- 6) The Parties agree that this settlement for the provisional WNC rate 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.

- 7) 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.
- 8) The Parties further agree that this settlement for the provisional WNC rate has been made exclusively for the purpose of this proceeding and that this settlement, in total or by 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

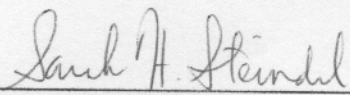
BY: 
Matthew M. Weissman
Managing Counsel - State Regulatory

BY: 
Matko Ilic
Deputy Attorney General

DATED: September 3, 2020.

DATED: September 3, 2020.

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

BY: 
Sarah H. Steindel
Assistant Deputy Rate Counsel

DATED: September 3, 2020.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

XXX Revised Sheet No. 45

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

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, 2019-2020 through May 31, 2020-2021	\$0.005722 \$(0.004800)	\$0.006101 \$(0.005118)
June 1, 2020-2021 through September 30, 2020-2021	\$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 ~~2019-2020-2020-2021~~ Winter Period are set forth in the table below:

	Normal Degree Days	
Oct - 1920	237.73	243.01
Nov - 1920	526.11	516.21
Dec - 1920	829.32	827.33
Jan - 2021	1,004.41	1,002.61
Feb - 2021	838.29	858.04
Mar - 2021	693.37	691.71
Apr - 2021	354.96	357.63
May - 2021	125.01	123.71

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:

Effective:

Issued by SCOTT S. JENNINGS, SVP - Corporate Planning, Strategy and Utility Finance – PSE&G

80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated

in Docket No.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

XXX Revised Sheet No. 46

B.P.U.N.J. No. 16 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 ~~2019-2020-2020-2021~~ 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.- 1920	<u>157,174</u> <u>147,748</u>	<u>(2,282)</u> <u>3,466</u>	<u>20,172</u> <u>15,975</u>	<u>874</u> <u>836</u>	<u>88,054</u> <u>81,850</u>	<u>446</u> <u>557</u>	-	<u>7,783</u> <u>6,700</u>
Nov.- 1920	<u>248,711</u> <u>233,569</u>	<u>3,549</u> <u>8,816</u>	<u>36,363</u> <u>27,829</u>	<u>2,550</u> <u>2,529</u>	<u>88,054</u> <u>81,850</u>	<u>1,166</u> <u>1,103</u>	<u>136</u> <u>127</u>	<u>7,783</u> <u>6,700</u>
Dec.- 1920	<u>247,054</u> <u>228,514</u>	<u>4,468</u> <u>11,406</u>	<u>50,391</u> <u>49,066</u>	<u>3,626</u> <u>3,510</u>	<u>88,054</u> <u>81,850</u>	<u>2,178</u> <u>1,393</u>	<u>196</u> <u>193</u>	<u>7,783</u> <u>6,700</u>
Jan.- 2021	<u>288,954</u> <u>264,384</u>	<u>4,382</u> <u>12,027</u>	<u>65,414</u> <u>62,788</u>	<u>3,831</u> <u>3,779</u>	<u>88,805</u> <u>82,421</u>	<u>2,589</u> <u>1,927</u>	<u>229</u> <u>221</u>	<u>7,624</u> <u>6,580</u>
Feb.- 2021	<u>283,804</u> <u>270,093</u>	<u>4,006</u> <u>11,928</u>	<u>51,917</u> <u>54,286</u>	<u>3,959</u> <u>3,903</u>	<u>88,805</u> <u>82,421</u>	<u>1,758</u> <u>1,564</u>	<u>234</u> <u>230</u>	<u>7,624</u> <u>6,580</u>
Mar.- 2021	<u>277,989</u> <u>271,716</u>	<u>4,072</u> <u>12,442</u>	<u>54,744</u> <u>55,140</u>	<u>3,974</u> <u>3,962</u>	<u>88,805</u> <u>82,421</u>	<u>2,213</u> <u>2,092</u>	<u>235</u> <u>238</u>	<u>7,624</u> <u>6,580</u>
Apr.- 2021	<u>275,716</u> <u>251,638</u>	<u>4,461</u> <u>12,764</u>	<u>57,510</u> <u>55,446</u>	<u>4,027</u> <u>3,984</u>	<u>88,805</u> <u>82,421</u>	<u>1,739</u> <u>1,358</u>	<u>233</u> <u>226</u>	<u>7,624</u> <u>6,580</u>
May- 2021	<u>195,966</u> <u>182,090</u>	<u>3,417</u> <u>10,707</u>	<u>7,264</u> <u>12,789</u>	<u>3,961</u> <u>3,864</u>	<u>88,805</u> <u>82,421</u>	<u>960</u> <u>732</u>	<u>136</u> <u>118</u>	<u>7,624</u> <u>6,580</u>

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	\$0.370528
Rate Schedule GSG	\$0.293661
Rate Schedule LVG	\$0.042150

8. Annual Period

- shall be the 12 consecutive months from October 1 of one calendar year through September 30 of the following calendar year.

9. Average 13 Month Common Equity Balance

- shall be calculated by adding the Net Gas Utility Plant in Service (Gas Plant in Service, excluding plant held for future use and excluding plant for which the Company receives recovery from clause mechanisms that provide for a return on investment outside of base rates, less Accumulated Depreciation Reserve) less Accumulated Deferred Income Taxes plus working capital associated with Materials and Supplies Inventory and Prepayments at the beginning of the Annual Period (i.e., October 1) and the month ending balances for each of the twelve months in the Annual Period divided by thirteen (13), and multiplying by 54% (the equity percentage of the Company's capital structure).

Date of Issue:

Effective:

Issued by SCOTT S. JENNINGS, SVP - Corporate Planning, Strategy and Utility Finance – PSE&G
80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated
in Docket No.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

XXX Revised Sheet No. 47

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

**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 9.6% for the Annual Period; any portion which is not recovered shall not be deferred. For purposes of this section, the Gas Utility's rate of return on common equity shall be calculated by dividing the Gas Utility's regulated jurisdictional net income for the Annual Period by the Gas Utility's average 13 month common equity balance for such Annual Period. The Gas Utility's regulated jurisdictional net income shall be calculated by subtracting from total net income of the Gas Utility net income derived from clause mechanisms, currently the Green Programs Recovery Charge, that provide for a return on investment outside of base rates.

The total WNC balance at September 30 of the Annual Period shall be divided by the estimated applicable balancing therm sales from the rate schedules subject to this clause for the Annual Period over which this rate will be in effect, multiplied by a factor to adjust for increases in taxes and assessments. The product of this calculation shall be the Weather Normalization Charge. However, the Weather Normalization Charge will at no time exceed three (3%) percent of the then applicable RSG total per therm rate, including RSG-BGSS charges and ~~72.9473.32~~% 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.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

XXX Revised Sheet No. 45

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

**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, 2020 through May 31, 2021	\$0.005722	\$0.006101
June 1, 2021 through September 30, 2021	\$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 2020-2021 Winter Period are set forth in the table below:

Normal Degree Days	
Oct - 20	237.73
Nov - 20	526.11
Dec - 20	829.32
Jan - 21	1,004.41
Feb - 21	838.29
Mar - 21	693.37
Apr - 21	354.96
May - 21	125.01

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, SVP - Corporate Planning, Strategy and Utility 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

XXX Revised Sheet No. 46

B.P.U.N.J. No. 16 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 2020-2021 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.-20	157,174	(2,282)	20,172	874	88,054	446	-	7,783
Nov.-20	248,711	3,549	36,363	2,550	88,054	1,166	136	7,783
Dec.-20	247,054	4,468	50,391	3,626	88,054	2,178	196	7,783
Jan.-21	288,954	4,382	65,414	3,831	88,805	2,589	229	7,624
Feb.-21	283,804	4,006	51,917	3,959	88,805	1,758	234	7,624
Mar.-21	277,989	4,072	54,744	3,974	88,805	2,213	235	7,624
Apr.-21	275,716	4,461	57,510	4,027	88,805	1,739	233	7,624
May-21	195,966	3,417	7,264	3,961	88,805	960	136	7,624

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	\$0.370528
Rate Schedule GSG	\$0.293661
Rate Schedule LVG	\$0.042150

8. Annual Period

- shall be the 12 consecutive months from October 1 of one calendar year through September 30 of the following calendar year.

9. Average 13 Month Common Equity Balance

- shall be calculated by adding the Net Gas Utility Plant in Service (Gas Plant in Service, excluding plant held for future use and excluding plant for which the Company receives recovery from clause mechanisms that provide for a return on investment outside of base rates, less Accumulated Depreciation Reserve) less Accumulated Deferred Income Taxes plus working capital associated with Materials and Supplies Inventory and Prepayments at the beginning of the Annual Period (i.e., October 1) and the month ending balances for each of the twelve months in the Annual Period divided by thirteen (13), and multiplying by 54% (the equity percentage of the Company's capital structure).

Date of Issue:

Effective:

Issued by SCOTT S. JENNINGS, SVP - Corporate Planning, Strategy and Utility Finance – PSE&G
80 Park Plaza, Newark, New Jersey 07102

Filed pursuant to Order of Board of Public Utilities dated
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PUBLIC SERVICE ELECTRIC AND GAS COMPANY

B.P.U.N.J. No. 16 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 9.6% for the Annual Period; any portion which is not recovered shall not be deferred. For purposes of this section, the Gas Utility's rate of return on common equity shall be calculated by dividing the Gas Utility's regulated jurisdictional net income for the Annual Period by the Gas Utility's average 13 month common equity balance for such Annual Period. The Gas Utility's regulated jurisdictional net income shall be calculated by subtracting from total net income of the Gas Utility net income derived from clause mechanisms, currently the Green Programs Recovery Charge, that provide for a return on investment outside of base rates.

The total WNC balance at September 30 of the Annual Period shall be divided by the estimated applicable balancing therm sales from the rate schedules subject to this clause for the Annual Period over which this rate will be in effect, multiplied by a factor to adjust for increases in taxes and assessments. The product of this calculation shall be the Weather Normalization Charge. However, the Weather Normalization Charge will at no time exceed three (3%) percent of the then applicable RSG total per therm rate, including RSG-BGSS charges and 73.32% 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.