



STATE OF NEW JERSEY  
Board of Public Utilities  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC	)	DECISION AND ORDER
SERVICE ELECTRIC AND GAS COMPANY TO	)	APPROVING STIPULATION
REVISE ITS WEATHER NORMALIZATION CHARGE	)	FOR PROVISIONAL RATES
AND FOR CHANGES IN THE TARIFF FOR GAS	)	
SERVICE B.P.U.N.J. No 15 GAS PURSUANT TO	)	
N.J.S.A. 48:2-21 and N.J.S.A. 48-2-21.1	)	DOCKET NO.GR12060583

**Parties of Record:**

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

BY THE BOARD:

**BACKGROUND**

The Public Service Electric and Gas Company ("PSE&G" or "the Company") Weather Normalization Clause ("WNC") Tariff was approved by the Board as part of the Stipulation of Settlement of the Company's last base rate case.<sup>1</sup> The WNC Tariff requires PSE&G to calculate at the end of each October through May period ("Winter Period"), the level by which the Company's margin revenues<sup>2</sup> differed from what would have resulted if normal weather<sup>3</sup> had occurred. The base level of normal degree days for the 2011-2012 Winter Period is defined in PSE&G's WNC Tariff. Any excess or deficiency in margin revenues when compared to normal is subsequently credited or charged to customers over the next year's Winter Period.

On June 27, 2012, the Company petitioned the New Jersey Board of Public Utilities ("Board") for approval to recover \$56.649 million through the WNC, of which \$40.730 million would be recovered over the 2012-2013 Winter Period, and the remaining \$15.919 million remain eligible for recovery over the 2013-2014 Winter Period.

<sup>1</sup> Board Order dated July 9, 2010, 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.

<sup>2</sup> Margin Revenues are distribution revenues from relevant rate classes' per therm charges, minus the Transitional Energy Facility Assessment.

<sup>3</sup> The determination of 'normal weather' is based upon a twenty-year rolling average of heating degree days for each of the Winter Period months.

The Company is proposing a WNC after-tax rate of \$0.030837 per balancing therm applicable to Residential Service Gas ("RSG"), General Service Gas ("GSG") and Large Volume Gas ("LVG") customers. A PSE&G heating customer using 100 therms per winter month and 1,000 therms annually will see respective increases of \$2.44 (2.2%) and \$18.48 (1.68%), based upon delivery and commodity rates in effect July 1, 2012.

Following a review by and subsequent discussions among representatives of the Company, Board Staff and the Division of Rate Counsel, (collectively, "the Parties"), it was determined that additional time is needed to complete a comprehensive review of PSE&G's proposed WNC rate and other aspects of the Company's filing. On August 29, 2012, the Parties executed a Stipulation for Provisional WNC Rates ("Stipulation"), agreeing that a provisional change at this time in PSE&G's WNC rate is reasonable and in the public interest.

#### STIPULATION FOR PROVISIONAL WNC RATES<sup>4</sup>

The Parties stipulate and agree as follows:

- 1) The Parties request that the Board issue an Order to be effective October 1, 2012, provisionally approving subject to refund with interest the Company's request to recover \$56.649 million, of which \$40.730 million will be recovered during the 2012-2013 Winter Period.
- 2) That the Board should provisionally approve PSE&G's after-tax WNC rate of \$0.030837 per balancing therm for the 2012-2013 Winter Period.
- 3) Upon approval of 1) and 2) above, the Company be authorized to issue revised gas WNC tariff sheets Nos. 45, 46, and 47 to be effective October 1, 2012.

#### DISCUSSION AND FINDING

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

The Board HEREBY APPROVES on a provisional basis the Company's implementation of an after-tax per therm WNC rate of \$0.030837 per balancing therm, applicable to Rate Schedules RSG, GSG and LVG for the 2012-2013 Winter Period to be effective for service rendered on and after October 1, 2012.

The Board HEREBY DIRECTS that this matter be transmitted to the Office of Administrative Law for review and evidentiary hearings, if necessary.

The Company is HEREBY DIRECTED to file the appropriate tariff sheets conforming to the terms and conditions of this Order within five (5) business days from the date of service of this Order.


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<sup>4</sup> Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of this Order.

The Company's costs will 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.


DATED: 9/13/12

BOARD OF PUBLIC UTILITIES  
BY:

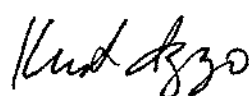
  
ROBERT M. HANNA  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

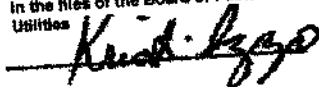
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
NICHOLAS ASSELTA  
COMMISSIONER

  
MARY-ANNA HOLDEN  
COMMISSIONER

ATTEST:   
KRISTI IZZO  
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 ("WNC") AND FOR CHANGES IN  
THE TARIFF FOR GAS SERVICE B.P.U. N.J.NO. 15 GAS PURSUANT TO N.J.S.A. 48:2-21  
AND N.J.S.A. 48:2-21.1  
SERVICE LIST  
DOCKET NO.GR12060583

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STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF )	
PUBLIC SERVICE ELECTRIC AND GAS )	STIPULATION FOR
COMPANY TO REVISE ITS WEATHER )	PROVISIONAL WNC RATES
NORMALIZATION CHARGE (WNC) AND FOR )	
CHANGES IN THE TARIFF FOR GAS SERVICE )	BPU Dkt. No. GR12060583
B.P.U.N.J. NO. 15 GAS PURSUANT TO )	
<i>N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1</i> )	

APPEARANCES:

**Mally Becker**, Assistant General Regulatory 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 **James W. Glassen**, Assistant Deputy Rate Counsels, Division of Rate Counsel

**Alex Moreau and David Wand**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (Jeffrey S. Chiesa, Attorney General of New Jersey)

On June 27, 2012, Public Service Electric and Gas Company (PSE&G or the Company) filed its Petition (Petition) with the Board of Public Utilities (Board or BPU), requesting approval to recover \$56,648,811 in deficiency revenue through the Weather Normalization Charge (WNC), of which \$40,729,656 will be recovered during the Annual Period of October 1, 2012 to September 30, 2013 (2012-2013 Annual Period) from customers receiving service under Rate Schedules Residential Service (RSG), General Service (GSG) and Large Volume Gas (LVG), B.P.U.N.J. No. 15 Gas Tariff Sheet Nos. 45, 46, and 47 (WNC Tariff). The remaining \$15,919,155 will be recovered in the 2013-2014 Winter Period, pursuant to the terms of the PSE&G WNC Tariff.

As part of this Petition, PSE&G proposed a WNC rate for the 2012-2013 Winter Period of \$0.028820 (\$0.030837 including Sales and Use Tax ((SUT)) per balancing therm applicable to Rate Schedules RSG, GSG and LVG. The proposed rate per Balancing Therm reflects the actual results for the 2011-2012 Winter Period to be recovered from customers during the 2012-2013 Winter Period and represents a charge of \$40,729,656. The WNC Tariff was 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").

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 2011-2012 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 2012-2013 Winter Period.

Furthermore, PSE&G represents that it has made three adjustments to the margin revenue deficiency in calculating the 2012-2013 WNC recovery request in accordance with the WNC Tariff: (a) PSE&G applied an 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; (b) the Company reduced the 2012-2013 WNC balance by \$1,071,353, which represents the unrefunded balance of the 2011-2012 WNC; and, (c) PSE&G adjusted its calculation of the WNC to ensure that it does not exceed three percent of the RSG total per therm rate. These adjustments reduced the WNC deficiency to \$40,729,656, with the remaining deficiency of \$15,919,155 to be recovered in the 2013-2014 Winter Period.

Notice setting forth the Company's June 27, 2012 request for an increase in its WNC rate, including the date, time and place of public hearings, 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.

Public hearings were scheduled and conducted in Mt. Holly, New Brunswick and Hackensack on August 20, 22, and 23, 2012, respectively. No members of the public appeared and commented on the filing.

Following the filing of the Petition, Board Staff and the Division of Rate Counsel, the only parties to this proceeding, discussed certain matters at issue herein. As a result of those discussions, the Parties have determined that additional time is needed to complete the review of the proposed WNC rate and other aspects of the Company's filing. However the Parties also agree that change in the Company's proposed WNC rate for the 2012-2013 Winter Period, on a provisional basis, is reasonable at this time.

**NOW THEREFORE, THE UNDERSIGNED STIPULATE AND AGREE AS FOLLOWS:**

- 1) The Parties stipulate and request that the BPU provisionally approve PSE&G's WNC rate of \$0.028820 (or \$.030837 including SUT) per balancing therm applicable to Rate Schedules RSG, GSG and LVG for the 2012-2013 Winter Period. As a result of the stipulated provisional WNC rate, PSE&G's typical residential gas heating customers using 100 therms per month during the winter months and 660 therms on an annual basis would see an increase in their annual bill from \$747.61 to \$758.79, or \$11.18 or approximately 1.5%. Moreover, under the Company's proposal, a typical residential heating customer using 160 terms per month during the winter months and 1,050 therms on an annual basis would see an increase in the



annual bill from \$1,147.32 to \$1,165.25 or \$17.93 or approximately 1.6%, based upon Delivery Rates and BGSS-RSG charges in effect July 1, 2012, and assuming that the customer receives gas commodity service from PSE&G.

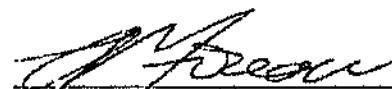
- 2) The Parties further agree that upon Board approval of the above rate, the Company is authorized to issue revised Gas WNC Tariff Sheet Nos. 45, 46, and 47 to reflect the revised provisional WNC charges delineated in Paragraph 1 above applicable to gas customers to be effective on October 1, 2012. Copies of the proposed Tariff Sheets are attached hereto as Exhibit A.
- 3) The Parties understand that these changes are on a provisional basis, subject to true-up of the earnings for the Annual Period and to refund with interest, an opportunity for a full review of all issues in this matter at the Office of Administrative Law ("OAL"), if necessary, and final approval by the Board.
- 4) The undersigned agree that this Settlement for provisional WNC rates reflects mutually balancing interests and contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Settlement is not accepted and approved in its entirety by the Board, this Settlement shall be null and void, and the parties shall be placed in the same position that they were in immediately prior to its execution.

- 5) The undersigned further agree that a Board Order approving this Settlement will become effective upon the service of said Order, or upon such date after the service thereof as the Board may specify, in accordance with *N.J.S.A. 48:2-40*.
- 6) The undersigned 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 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 rate.

PUBLIC SERVICE ELECTRIC AND  
GAS COMPANY

JEFFREY S. CHIESA  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for the Staff of the New Jersey  
Board of Public Utilities

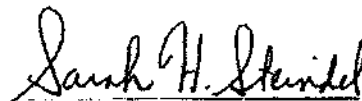
BY:   
Mally Becker, Esq.  
Assistant General Regulatory Counsel

BY:   
Alex Moreau, Esq.  
Deputy Attorney General

Dated: August 27, 2012

Dated: August 29, 2012

DIVISION OF RATE COUNSEL  
STEFANIE A. BRAND, DIRECTOR

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

Dated: August 29, 2012

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

**XXX Revised Sheet No. 45**  
**Superseding**  
**XXX Revised Sheet No. 45**

**WEATHER NORMALIZATION CHARGE**

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

	Weather Normalization Charge	Weather Normalization Charge including SUT
October 1, 2012 through May 31, 2013	\$0.028820	\$0.030837
June 1, 2013 through September 30, 2013	\$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 2012-2013 Winter Period are set forth in the table below:

	<b>Normal Degree Days</b>
Oct - 12	256.9
Nov - 12	517.6
Dec - 12	845.2
Jan - 13	995.5
Feb - 13	843.6
Mar - 13	699.7
Apr - 13	362.6
May - 13	133.2

**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 ROSE M. CHERNICK, Vice President Finance -- PSE&G  
80 Park Plaza, Newark, New Jersey 07102  
Filed pursuant to Order of Board of Public Utilities dated  
in Docket No.

Effective:

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

XXX Revised Sheet No. 46  
Superseding  
XXX Revised Sheet No. 46

**WEATHER NORMALIZATION CHARGE  
(Continued)**

**5. Degree Day Dead Band**

- shall be one-half (1/2 %) percent of the sum of the cumulative Normal Calendar Month Degree Days for the Winter Period and shall be allocated to each winter month in the same proportion as the ratio of the normal degree days for that month to the total normal degree days.

**6. Degree Day Consumption Factors**

- the use per degree day component of the gas sales equations by month used in forecasting firm gas sales for the applicable rate schedules. These factors will be updated annually in the WNC proceeding. Degree day Consumption Factors for the 2012-2013 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.-12	133,178	1,683	-	1,987	72,198	811	42	6,761
Nov.-12	194,834	4,628	36,478	4,216	72,198	1,174	1,087	6,761
Dec.-12	234,104	6,044	39,647	5,206	72,198	2,210	441	6,761
Jan.-13	234,187	6,266	49,172	5,630	72,605	2,228	445	6,782
Feb.-13	234,359	6,278	48,819	5,793	72,605	2,228	445	6,782
Mar.-13	236,045	6,310	42,412	6,091	72,605	2,228	445	6,782
Apr.-13	208,016	7,994	33,002	6,287	72,605	400	127	6,782
May-13	170,309	8,265	1,948	5,243	72,605	-	-	6,782

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	\$0.266903
Rate Schedule GSG	\$0.228645
Rate Schedule LVG	\$0.036287

**8. Annual Period**

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

**9. Average 13 Month Common Equity Balance**

- shall be calculated by adding the Net Gas Utility Plant in Service (Gas Plant in Service less Accumulated Depreciation Reserve) at the beginning of the Annual Period (i.e., October 1) and the month ending balances for each of the twelve months in the Annual Period divided by thirteen (13), and multiplying by 40.88% (ratio of equity component of the Company's capital structure to net plant in service from most recent base rate case).

Date of Issue:

Issued by ROSE M. CHERNICK, Vice President Finance -- PSE&G  
80 Park Plaza, Newark, New Jersey 07102  
Filed pursuant to Order of Board of Public Utilities dated  
in Docket No.

Effective:

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

**XXX Revised Sheet No. 47**  
**Superseding**  
**XXX Revised Sheet No. 47**

**WEATHER NORMALIZATION CHARGE**  
**(Continued)**

**II. DETERMINATION OF THE WEATHER NORMALIZATION RATE**

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

The WNC shall not operate to permit the Company to recover any portion of a margin revenue deficiency that will cause the Gas Utility to earn in excess of its allowed rate of return on common equity of 10.3% for the Annual Period; any portion which is not recovered shall not be deferred. For purposes of this section, the Gas Utility's rate of return on common equity shall be calculated by dividing the Gas Utility's regulated jurisdictional net income for the Annual Period by the Gas Utility's average 13 month common equity balance for such Annual Period. The Gas Utility's regulated jurisdictional net income shall be calculated by subtracting from total net income of the Gas Utility net income derived from clause mechanisms (RGGI 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 63.10% 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:

Issued by ROSE M. CHERNICK, Vice President Finance – PSE&G  
80 Park Plaza, Newark, New Jersey 07102  
Filed pursuant to Order of Board of Public Utilities dated  
in Docket No.

Effective: