



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350
www.nj.gov/bpu

ENERGY

IN THE MATTER OF THE PETITION OF)
ROCKLAND ELECTRIC COMPANY TO REVISE) DECISION AND ORDER
THE METHODOLOGY FOR ITS BASIC)
GENERATION SERVICE RECONCILIATION)
CHARGE) BPU DOCKET NO. ER12070643

NOTIFICATION LIST ATTACHED

APPEARANCES:

Margaret Comes, Esq., Attorney for Petitioner, Rockland Electric Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel.

BY THE BOARD:

BACKGROUND:

Rockland Electric Company ("RECO" or "Company") tracks and defers any differences between Basic Generation Service ("BGS") revenues and costs for BGS- Fixed Price ("BGS-FP") and BGS-Commercial and Industrial Pricing ("BGS-CIEP") customers. BGS costs are comprised of the following:

1. Payments made to BGS-FP and BGS-CIEP suppliers;
2. RECO's pro-rata share of any procurement of capacity, energy and ancillary services, pursuant to its FERC-approved Power Supply Agreement, and other costs incurred, including hedging and costs associated with the RECO Request for Proposal ("RFP");
3. The cost of any procurement of capacity, energy, ancillary services, transmission, and other costs incurred under the Company's BGS Contingency Plan less any payments recovered from defaulting suppliers;
4. Costs incurred by RECO to participate in the BGS Auction as well as any costs incurred to conduct the RECO RFP, including outside attorney and consultant expenses and other costs incurred by or allocated to RECO related to the conduct of the Auction; and

5. Any incremental administrative costs, including any costs related to compliance with the Renewable Portfolio Standards, associated with the provision of BGS service.

The BGS reconciliation charges are necessary to reconcile the difference between the BGS supply costs incurred and revenues collected from customers for BGS service. Currently, RECO calculates and assesses monthly BGS Reconciliation Charges to reconcile previous over- or under-collections.

Beginning with its October 2010 BGS reconciliation filing (covering August 2010 costs/revenues), RECO began seeing consistent, large over-recoveries in its BGS deferral accounts. Based on the methodology in place, the BGS reconciliation charge for October 2010 would have to have been set as a credit of approximately one-third (1/3) of the BGS rate in order to return the entire over-collected amount. Based on this information, RECO informed the Division of Rate Counsel ("Rate Counsel") and Board Staff that it intended to mitigate any large swings in customer rates by limiting the BGS Reconciliation Charge to a credit of (\$0.02) per kWh, and deferring the additional over-recovery for the next period. Since that time, RECO has implemented a \$0.02 mitigation rate eleven (11) times.

In its Company-specific addendum filed in the 2012 BGS proceeding in Docket No. EO11040250, RECO proposed changing from its current monthly true-up to a quarterly reconciliation methodology in an attempt to reduce volatility and the need for rate mitigation. By Order dated November 16, 2011, the New Jersey Board of Public Utilities ("Board") deferred any requested changes to BGS reconciliation charges for review in a generic reconciliation charge stakeholder process.

The BGS reconciliation charge stakeholder process has been initiated by Board Staff and is ongoing. However, due to the continued large over-recovery experienced by RECO in May 2012, Board Staff requested that RECO file a petition with the Board to move to a quarterly reconciliation method. The instant filing was made in response to that request.

Filing

On July 9, 2012, RECO filed a letter petition proposing to change the monthly BGS reconciliation charge mechanism to a quarterly one effective with the September 2012 BGS reconciliation charges. The BGS-FP and BGS-CIEP will continue to be subject to deferred accounting with interest. The differences in costs and cost recovery will be computed for each month in the quarter and assessed through the BGS-FP and BGS-CIEP Reconciliation Charges applied to customers' bills. The differences are comprised of the following:

1. The difference between BGS costs and the BGS revenues for each month in the quarter;
2. The difference between the total reconciliation charge revenue intended to be recovered each quarter and the actual reconciliation charge revenue recovered in each quarter. This difference will be driven by the actual kWh used in the quarter in which the reconciliation charge was assessed and will be the kWh used to calculate the charge.

The following chart summarizes the quarter for which the reconciliation would be performed and the corresponding quarter when the reconciliation charges would be in effect.

Reconciliation for the Period	Quarter Rate In Effect
May- July	September- November
August-October	December- February
November-January	March-May
February-April	June-August

The only exception to this proposed schedule would be in the first quarter (September 2012-November 2012). For this period, the only un-reconciled month would be July 2012, so the first quarter rate would only reflect that month.

In addition, RECO also proposes a cap on the BGS reconciliation charge or credit of \$0.02 per kWh for any quarter including Sales and Use Tax ("SUT"). To the extent that the calculated rate would exceed this cap, RECO proposes to include any remaining over- or under collected balance in the next quarter's BGS Reconciliation Charge.

Similar to the current methodology, RECO proposes that interest will apply to the deferred amounts based on the two-year constant maturity treasuries as published in the Federal Reserve Statistical Release on the first day of each month or the closest day thereafter on which rates are published, plus 60-basis points. However, the actual interest rate will be determined each month in the quarter based on the criteria above.

Finally, RECO proposes that the BGS Reconciliation Charges be filed no later than ten days prior to the effective date of the charges.

By letter dated July 30, 2012, Rate Counsel submitted a letter indicating that it did not object to the proposed change as described in the letter petition. Rate Counsel requested, however, that the Board order RECO to file its reconciliation requests with Rate Counsel and Staff no later than 15 days prior to the effective date instead of the ten days as proposed by the Company. In addition, Rate Counsel reserved its right to argue among other things: 1) the proper interest rate to be applied to any over and under recoveries, and 2) any other changes to the BGS Reconciliation Charge mechanism in the current 2013 BGS proceeding, the BGS Reconciliation charge stakeholder process or any other future proceeding before the Board.

DISCUSSION AND FINDING

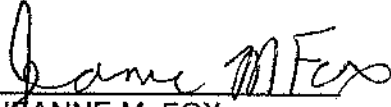
The Board has carefully reviewed the record to date in this proceeding, including the letter petition and the letter submitted by Rate Counsel. The Board **FINDS** that the proposed modification is reasonable, in the public interest, and in accordance with the law. However, the Board is concerned that the amount of time between the filing of the proposed tariff and its effective date will not give Board Staff and Rate Counsel adequate time to review. Accordingly, the Board **HEREBY ORDERS** RECO to file proposed BGS Reconciliation Charge tariffs no later than fifteen (15) days prior to the effective date of the change. Accordingly, the Board **HEREBY APPROVES** the proposed revised BGS reconciliation methodology as set forth in the petition with the modification to the timing of the filing described above.

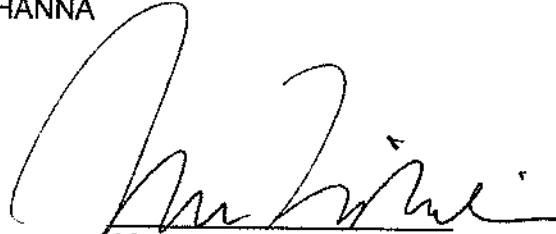
The Board notes that BGS reconciliation charges, including the methodology and the items included in the charge, continue to be the subject of a generic stakeholder process. The Board **FINDS** that nothing in this Order shall preclude or prohibit the Board from taking any actions determined to be appropriate as a result of that process.

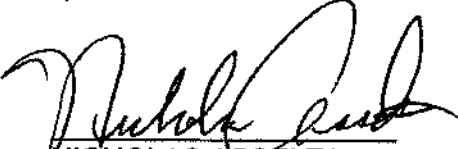
DATED: 8/15/12


BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

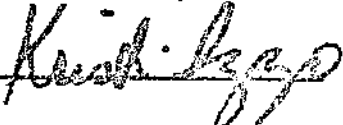

NICHOLAS ASSELTA
COMMISSIONER


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 Rockland Electric Company for Approval to Revise the
Methodology for its Basic Generation Service Reconciliation Charge

DOCKET NO. ER12070643

NOTIFICATION LIST

BOARD OF PUBLIC UTILITIES		
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Kristi Izzo, Secretary Board of Public Utilities 44 S. Clinton Avenue, 9 th Fl. P.O. Box 350 Trenton, NJ 08625-0350		
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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

STEFANIE A. BRAND
Director

July 30, 2012

VIA OVERNIGHT DELIVERY

Kristi Izzo, Secretary
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

**RE: I/M/O Rockland Electric Company
BGS Reconciliation Charges
BPU Dkt. No. ER12070643**

Dear Secretary Izzo:

Please accept for filing an original and ten (10) copies of the Division of the Rate Counsel's ("Rate Counsel") comments regarding the above referenced matter. Enclosed is one additional copy. Please date stamp the copy as "filed" and return in the envelope provided. Thank you for your consideration and attention to this matter.

By letter dated July 9, 2012, Rockland Electric Company ("Rockland" or the "Company") applied to the Board of Public Utilities ("Board") for approval to change the Company's method of determining the Basic Generation Service ("BGS") Reconciliation Charges for both its Fixed Pricing ("FP") and Commercial and Industrial Energy Pricing ("CIEP"). Currently, Rockland calculates and reconciles the BGS revenues and expenses on a monthly basis. The monthly reconciliation method used by the Company has had the unintended consequence of causing large swings in the BGS FP and CIEP rates due to over and under collections. In order to stabilize the BGS rates going forward, the Company has proposed to change the monthly BGS Reconciliation Charge mechanism to

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Kristi Izzo, Secretary
July 30, 2012
Page 2

a quarterly mechanism effective September 2012. Rockland also proposes to file its BGS Reconciliation Charges on a quarterly basis no later than 10 days prior to the effective date of the charges.

Based on the Company's July 9, 2012 letter ("July 9th Letter") request to the Board and the information provided by the Company in subsequent meetings, Rate Counsel does not object to the proposed change from a monthly to a quarterly BGS Reconciliation Charge mechanism as described by Rockland in its July 9th Letter. However, Rate Counsel requests that the Board Order Rockland to file its reconciliation requests with Rate Counsel and the Board Staff no later than 15 days prior the effective date instead of the 10 days as proposed by the Company.

Rate Counsel, while agreeing to the proposed change reserves it right to argue among other things: 1) the proper interest rate to be applied to any over and under recoveries; and 2) any other change to the BGS Reconciliation Charge mechanism in the current 2013 BGS proceeding, the BGS Reconciliation Charge stakeholder process or any other future proceeding before the Board.

Respectfully submitted,

STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

By: s/ Ami Morita
Ami Morita
Deputy Rate Counsel

AM/Ig

C: Service List (via electronic and regular mail)