



Agenda Date: 04/23/14  
Agenda Item: 2E

**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 VERIFIED PETITION OF )  
ROCKLAND ELECTRIC COMPANY FOR APPROVAL ) ORDER  
OF AN ENERGY EFFICIENCY STIMULUS PROGRAM )  
AND ASSOCIATED RATE RECOVERY ) DOCKET NO. ER13060535

**Parties of Record:**

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

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board") considers a stipulation executed by Rockland Electric Company ("RECo" or the "Company"), the Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively, "Parties"), which resolves the above-captioned matter.

**BACKGROUND AND PROCEDURAL HISTORY**

On January 13, 2008, L. 2007, c. 340 ("Act") was signed into law by former Governor Corzine based on the New Jersey Legislature's findings that energy efficiency and conservation measures must be essential elements of the State's energy future, and that greater reliance on energy efficiency and conservation will provide significant benefits to the citizens of New Jersey. The Legislature also found that public utility involvement and competition in the conservation and energy efficiency industries are essential to maximize efficiencies. N.J.S.A. 26:2C-45.

Pursuant to Section 13 of the Act, codified as N.J.S.A. 48:3-98.1 (a)(1), an electric or gas public utility may, among other things, provide and invest in energy efficiency and conservation programs in its service territory on a regulated basis. Such investment in energy efficiency and conservation programs may be eligible for rate treatment approved by the Board, including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program cost investments in the utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board. An electric or gas public utility seeking cost recovery for any energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board.

By Order dated November 23, 2009 in Docket Nos. EO09010056 and EO09010061, ("November 23 Order") the Board approved a stipulation establishing an Energy Efficiency Stimulus Program ("EES Program") with three energy efficiency components ("Sub-Programs") for the Company to implement for a one-year period ending December 31, 2010. The Sub-Programs included: (1) a Residential Enhanced Rebate Sub-Program, which provided enhanced rebates to induce residential energy consumers to select energy efficiency measures; (2) an On-Line Energy Audit Sub-Program ("On-Line Sub-Program"), where the Company selected a vendor to create software so the customers could conduct an on-line energy audit and cost/benefit analysis, using their billing information from the Company's billing database; and (3) a Low Income Audit and Install Sub-Program ("Low Income Audit I Program") where the Company selected a vendor to provide its low income customers with an energy audit and energy efficiency measures at no cost to the customer. The total budget for EES Program expenditures approved by the Board was \$990,250, consisting of program investments of \$859,250 and operating and maintenance expenses of \$131,000. The Board approved budget for the Low Income Audit I program was \$770,000. The Board approved budget for the Residential Enhanced Rebate Sub-Program was \$130,250 and the Board approved budget for the On-Line Energy Audit Sub-Program is \$90,000.

The Low Income Audit I Program approved by the Board increased the funding levels for energy efficiency measures from a cap of \$2,000 per household as proposed by the Company to a cap of \$6,500 to be consistent with increased funding levels for the NJ Comfort Partners Program. In addition, the eligibility requirements were expanded to include not only USF Program participants, but also households with an income level at or below 225% of the federal poverty guidelines, and customers who receive federal Supplemental Security Income, Home Energy Assistance, Lifeline, Pharmaceutical Assistance to the Aged and Disabled, Temporary Assistance to Needy Families or Section 8 Housing.

RECO implemented the three sub-programs, but found at the end of 2010 that spending was less than anticipated, and requested that the Board approve the extension of the three sub-programs. In its Order dated March 30, 2011, the Board approved an extension of the programs through 2011 or until all budgeted funds were expended. The Board further ordered that a close-out period end on March 31, 2012<sup>1</sup>. By Order dated March 12, 2012, the Board approved a further extension through December 2012, or until all budgeted funds were expended, whichever came first, for the Low-Income Audit and Install Sub-Program.<sup>2</sup>

By Order dated March 20, 2013 ("March 20 Order")<sup>3</sup>, the Board approved a stipulation that further extended RECO's EES Low Income Audit and Install Sub-Program through December 31, 2013, or until the budgeted funding for the Sub-Program were expended, whichever occurred first. In the stipulation, the Company agreed to complete any close-out activities under the extended program by March 31, 2014. RECO also agreed to submit a filing pursuant to

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<sup>1</sup> In the Matter of the Verified Petition of Rockland Electric Company for Approval of an Energy Efficiency Program and Associated Rate Recovery – Extension Request, BPU Docket No. EO10120987, Order dated March 30, 2011.

<sup>2</sup> In the Matter of the Verified Petition of Rockland Electric Company for Approval of an Energy Efficiency Program and Associated Rate Recovery – Extension Request, BPU Docket No. EO12020115, Order dated March 12, 2012.

<sup>3</sup> In the Matter of the Verified Petition of Rockland Electric Company for Approval of an Energy Efficiency Program and Associated Cost Recovery Mechanism – Extension Request, BPU Docket No. EO12121073, Order dated March 20, 2013.

N.J.S.A. 48:3-98.1 that complies with the Minimum Filing Requirements set out in Appendix A of the Board's May 12, 2008 Order in Docket Number EO08030164 within ninety days of the effective date of the March 20 Order. The filing would propose a new EE program with detailed sub-program information, which would replace the existing Low Income Program if approved by the Board.

### **June 2013 Filing**

On June 21, 2013, the Company filed a petition with the Board seeking approval to administer a three-year EES Program and to recover program costs and revenue requirements through the Company's Regional Greenhouse Gas Recovery ("RGGI") Surcharge pursuant to N.J.S.A. 48:3-98.1 ("June 21 Petition"). On July 29, 2013, Staff notified RECo that the June 21 Petition was administratively incomplete<sup>4</sup>. On September 18, 2013, RECo made a filing intended to remedy the deficiencies in its June 21 Petition. On October 15, 2013, Board Staff notified RECo that with the information submitted in the September 18 filing, the June 21 Petition was administratively complete. Accordingly, the 180-day review period for a Board determination on cost recovery commenced on September 18, 2013.

Specifically, in the June 21 Petition, the Company seeks authorization to implement a Low Income Audit and Direct Install Energy Efficiency II Program ("Low Income Audit II Program" or "Program") to provide free energy efficiency measures recommended as a result of an energy audit to customers in RECo's service territory that meet the specified income criteria. The energy audit and installation of energy efficiency measures would be performed by a vendor chosen by the Company. RECo stated in the Petition that the Low Income Audit II Program was designed to be similar in most material respects to the Company's current Low Income Audit I Program approved by the Board in the November 23 Order. The Company further represented that the Low Income Audit I Program was successful and exceeded its initial goal of 100 customers, but funding for the Low Income Audit I Program would be exhausted by the end of January, 2014. According to the June 21 Petition, the Program would target participation by 100 eligible customers in each year of the three-year life of the program, or 300 customers in total, and was designed to provide customers currently enrolled in the USF Program, households with an income level at or below 225% of the federal poverty guidelines, and customers who received federal Supplemental Security Income, Home Energy Assistance, Lifeline, Pharmaceutical Assistance to the Aged and Disabled, Temporary Assistance to Needy Families or Section 8 Housing with Energy Efficiency (EE) measures at no charge based on the results of an energy audit. The Company will identify the eligible customers with the highest electric usage for initial marketing<sup>5</sup>. Through direct mail and follow-up telemarketing, these customers will be offered the Program until the first 100 customer enrollments each year are completed. Once the goal of 100 is met each year, proactive outreach will discontinue; however, customer referrals and customer requests will continue to be accepted.

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<sup>4</sup> N.J.S.A. 48:3-98.1 requires the Board to decide cost recovery issues within 180 days. Pursuant to the Board Order issued in response to a further statutory directive within that section, Board Staff must review a petition for completeness within 30 days and, when a petition is determined to be complete, set the beginning of the 180-day period. In re Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in their Respective Service Territories on a Regulated Basis Pursuant to N.J.S.A. 48:3-98.1, Dkt. No. EO08030164 (May 8, 2008). Accordingly, the 180-day period for a Board determination commenced on September 18, 2013.

<sup>5</sup> Customers who had measures installed in the Low Income Audit I Program will not be eligible to participate in the Low Income Audit II Program.

As proposed, participating customers will receive at no charge an energy audit provided by a Building Performance Institute ("BPI") certified auditor which will include health and safety testing, initial blower door readings, identification of cost effective measures, and information to encourage the customer to accept the measures offered by the program as well as to proceed with other actions they might perform on their own to facilitate their reduction of energy use. The Company will provide measures with a maximum value of \$3,500 per household in the first year of the Low Income Audit II Program.

The Company requests approval of rate recovery of all Low Income Audit II Program costs totaling \$1,346,279. RECo requests that the carrying charge on its deferred balances for the Low Income Audit II Program be set based upon RECo's overall weighted average cost of capital ("WACC") authorized by the Board in RECo's most recent base rate case (8.21%) based upon a return on equity of 10.3% together with the income tax effects.

By Order dated November 22, 2013, the Board retained this matter for review and hearing and designated Commissioner Mary-Anna Holden as the presiding officer. By Stipulation dated February 12, 2014, the Parties agreed to a schedule and extended the 180-day review period to May 30, 2014. By Order dated February 18, 2014, Commissioner Mary-Anna Holden approved the procedural schedule and extension. Public notice was provided and public hearings on the Company's EE Program filing were held on March 5, 2014 at 4:30 p.m. and 5:30 p.m. at the Mahwah Township Hall in Mahwah, New Jersey. No members of the public appeared at the public hearings.

### **STIPULATION**

RECo, Rate Counsel, and Staff actively participated in discovery and settlement negotiations which ultimately resulted in the execution of a stipulation ("Stipulation") on April 4, 2014. The Parties have agreed to the following salient terms:

#### **A. Energy Efficiency Program**

15. The audits and the installation of energy efficiency measures will be performed by a contractor chosen by the Company through a competitive Request for Proposal ("RFP") process with the goal of hiring the most cost effective contractor with the appropriate credentials to perform the scope of work. The Program, as filed by the Company, was a three-year program. However, as amended by the Stipulation, the Program will be a two-year program, and the two years will commence from the date of the signing of the contract between the Company and the contractor selected by the Company. A description of the program is set out in Exhibit 1.

16. As set out in Exhibit 2, the budget for the first year of the program is \$321,300. The budget for the second year of the program is \$328,330. In its Petition, the Company had proposed a budget based on the installation of \$3,500 in energy efficiency measures per household in 100 households in the first year of the Program. However, the Stipulation amends the budget for the Program by reducing the spending on energy efficiency measures to \$2,500 per household in the first year of the Program. The spending on energy efficiency measures will increase by 2.25 percent in the second year of the program to \$2,556 per household. Although the Program budget is based on installation of \$2,500 and \$2,556 per household, the Company's contractor can exceed these spending amounts on one household upon the approval of the Company's Program Administrator.

17. The Company proposed a marketing budget of \$15,000 per year. However, the Stipulation amends the budget for the Program by reducing the marketing budget to \$5,000 for each year of the two-year program.

18. As part of the pending New Jersey Clean Energy Program ("NJCEP") administrator transition and the utility working group process in the Comprehensive Resource Analysis proceeding<sup>6</sup>, the Parties understand that modifications may be made to NJCEP programs and policy directions. The Company agrees to review the approved programs in cooperation with Board Staff and Rate Counsel to ensure alignment with NJCEP programs and administration. If necessary, modifications will be proposed.

## **B. Program Evaluation**

19. The Company will use energy savings protocols from "New Jersey's Clean Energy Program Protocols to Measure Resource Savings", adopted by the Board's Order dated December 22, 2004 in Docket No. EO04080894 and most recently revised in August 2012, or subsequent updates. For energy measures not included in the protocols, the Company's contractor will obtain, wherever applicable, nameplate information on removed and installed appliances and apply engineering algorithms approved by the Board to estimate the customer energy and demand savings. A minimum of 10% of the total participants will be randomly selected for verification and inspection by the independent contractor selected by the Company or by a Company employee.

20. The Company will survey all of its participating customers to ascertain customer satisfaction with the Program. RECo reserves the right to seek the Board's permission to modify the Low Income Audit II Program depending on the results of such surveys, with notice and opportunity for comment by Rate Counsel.

21. Before the conclusion of the Program, the Company will perform a cost-benefit analysis of the Program. The cost-benefit analysis will be performed by Center for Energy, Economics and Environmental Policy (CEEPP) or in-house by the Company, at the discretion of the Company and will be provided to Staff and Rate Counsel.

## **C. Cost Recovery**

22. RECo will recover the net revenue requirements associated with the Low Income Audit II Program as a component to the Company's RGGI Surcharge. The Low Income Audit II Program component of the RGGI Surcharge will be applicable to all rate schedules on an equal cents per kilowatt-hour basis for recovery of costs associated with the Low Income Audit II Program. The Low Income Audit II Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually, as described herein. The Low Income Audit II Program component of the RGGI Surcharge will be based on estimated revenue requirements from the first day of the month following the service of a Board Order approving the Program and a forecast of the Company's kWh deliveries to customers during the following twelve month period. Thereafter, the Low Income Audit II Program component of the RGGI Surcharge will be adjusted on an annual basis incorporating a true-up for any prior period over-or under-recoveries, an estimate of the revenue requirements for the upcoming year, and the forecasted

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<sup>6</sup> In the Matter of the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2013-2016 Clean Energy Program, BPU Docket No. EO11050324

kWh deliveries to customers during the upcoming year in which the revised Low Income Audit II Program component of the RGGI Surcharge will be in effect.

23. The Parties stipulate that the Low Income Audit II Program revenue requirements recovered through the Low Income Audit II Program component of the RGGI Surcharge will be calculated to include a return on investment and a return of investment through amortization of the associated regulatory asset over sixty (60) months or five (5) years. The investment subject to deferral and recovery over the 60-month period and a return thereon includes all incremental program costs, e.g., inspections and contracted processes. The Parties further stipulate that this calculation will use the Weighted Average Cost of Capital ("WACC") used to set rates in the Company's most recently completed rate case, BPU Docket No. ER09080668, except that the WACC will be based on a return on equity of 9.75% instead of 10.31%. As a result, the WACC for this calculation will be 7.93% (11.3% on a pre-tax basis).

24. Any change in the WACC authorized by the Board in a subsequent base rate case (including the Company's now-pending base rate case in BPU Docket No. ER13111135) will be reflected in the subsequent monthly revenue requirement and interest calculations.

25. Any change in the Revenue Requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the next scheduled annual true-up. A sample calculation of the revenue requirement for the purpose of setting the initial Low Income Audit II Program component of the RGGI Surcharge for a twelve month period ending May 31, 2015 is set forth in Exhibit 3 attached hereto and made a part of the Stipulation, and which is structured to produce revenues of approximately \$127,349.

26. In calculating the monthly interest on net over- and under-recoveries, the interest rate shall be based upon the rate as determined by the Board in its Order dated October 21, 2008 in Docket No. ER08060455. As set forth in that Order, the interest rate shall be the interest rate based on 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, but shall not exceed RECo's pre-tax WACC as identified in Paragraph 22 above. The interest rate shall be reset each month. The interest amount charged to the RGGI Surcharge balances will be computed using the following methodology set forth in Exhibit 4 attached hereto and made a part of the Stipulation. The calculation of monthly interest shall be based on the net of tax beginning and ending average monthly balance. The monthly over-and under-recovery calculation will be based on actual revenues and the actual revenue requirement in each month. The Company shall accrue simple interest on any over- or under-recovered balances with an annual roll-in at the end of each 12-month reconciliation period. The true-up calculation of over- and under-recoveries, including interest, shall be included in the Company's annual petition ("Annual Filing") to adjust the Low Income Audit II Program component of the RGGI Surcharge.

27. The Parties request that the Board set the effective date of the revised Low Income Audit II Program component of the RGGI Surcharge to incorporate the revenue requirement provided for herein as of the first of the month following the date of service of the Board Order approving the Program.

28. The work associated with starting up the EE Program will commence upon receipt of a written Board Order in this proceeding and the costs of such work shall be subject to deferral and recovery in accordance with the Stipulation. Recovery of the Low Income Audit II Program revenue requirement will continue through the Low Income Audit II Program component of the

RGGI Surcharge following the conclusion of the Low Income Audit II Program until all Low Income Audit II Program revenue requirements are fully recovered.

29. The Low Income Audit II Program component of the RGGI Surcharge will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under-recovered balance to be recovered from or returned to ratepayers over the following year. Any Board-ordered cost recovery adjustments resulting from the review of the actual Low Income Audit II Program costs will be made to the over/under-recovered deferred balance and reflected in the charges established for the following year pursuant to a Final Board Order.

30. The Parties stipulate that the Company will submit the Annual Filing, commencing with the 2014 annual period on a calendar basis, with copies provided to the Signatory Parties on February 1 and annually thereafter. Each Annual Filing will contain a reconciliation of the Company's Low Income Audit II Program component of the RGGI Surcharge recoveries and actual revenue requirements for the prior period and a forecast of revenue requirements associated with the Low Income Audit II Program for the upcoming 12-month period. The Annual Filing also will present actual costs to the extent incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudence. The Annual Filing will provide information set forth in the Minimum Filing Requirements attached hereto as Exhibit 5 and made part of the Stipulation. The Annual Filing will be subject to review by the Signatory Parties with opportunity for discovery and filed comments prior to the issuance of a Board Order establishing the Company's revised Low Income Audit II Program component of the RGGI Surcharge. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings if required by law.

31. The Parties agree that the proposed rates, as set forth in the tariff sheets in Exhibit 6, attached hereto are just and reasonable and RECO is authorized to implement the proposed rates on the first of the month following the service of a Board Order approving the Program.

#### **D. Rate Impact**

32. As currently projected, the Low Income Audit II Program component of the RGGI Surcharge would initially be set at \$0.000083/kWh, including Sales and Use Tax ("SUT") (\$0.000078/kWh without SUT), as set forth in Exhibit 6, which would be in effect for the initial twelve-month period ending, to recover an estimated revenue requirement of approximately \$127,439. This initial Low Income Audit II Program component of the RGGI Surcharge will result in a monthly rate increase for a typical residential customer using 925 kWh per month of \$0.08 or 0.05% or approximately \$0.92 annually during the initial twelve-month period.

#### **DISCUSSION AND FINDING**

The Board has carefully reviewed the June 21 Petition seeking authorization to implement the Low Income Audit II Program, including testimonies, and the Stipulation. The Parties stipulated to reducing the Company's marketing budget from \$15,000 to \$5,000 and the maximum value of the measures per household from \$3,500 to \$2,500. Thus, the proposed continuation of the Low Income Audit II Program should have a minimal impact on ratepayers on an annual basis while providing continued opportunity for Low Income RECO customers to have an energy audit to help them find ways to reduce their energy usage and expense, and provide access to energy efficient equipment at no or a reduced cost. In addition, the Company reports that with the success of the Low Income Audit I Program, it is expected that there is continued customer

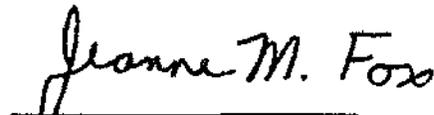
interest in participating in the Low Income Audit II Program. Based on that review, the Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully stated herein. The Board **HEREBY DIRECTS** the Parties to comply with the terms and conditions of the Stipulation. Further, the Board **HEREBY APPROVES** the changes to the associated tariff sheets as proposed in the Stipulation, and **HEREBY ORDERS** the Company to file final compliance tariffs within five (5) days of service of this Order.

This Board Order will become effective on the date it is served, with the tariff and rates to be effective the first day of the month following the date of service of the Board Order.

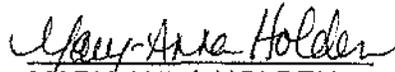
DATED: 4/24/14

BOARD OF PUBLIC UTILITIES  
BY:

  
DIANNE SOLOMON  
PRESIDENT

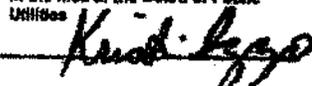
  
JEANNE M. FOX  
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JOSEPH L. FIORDALISO  
COMMISSIONER

  
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 Verified Petition of Rockland Electric Company for Approval of an Energy  
Efficiency Stimulus Program and Associated Rate Recovery  
BPU DOCKET NO. ER13060535

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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

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**I/M/O THE VERIFIED PETITION OF  
ROCKLAND ELECTRIC COMPANY FOR  
APPROVAL OF AN ENERGY EFFICIENCY  
STIMULUS PROGRAM AND ASSOCIATED  
RATE RECOVERY**

**BPU DOCKET NO. ER13060535  
STIPULATION of SETTLEMENT**

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**APPEARANCES:**

**Margaret Comes, Attorney for the Petitioner, Rockland Electric Company**

**Brian Lipman, Litigation Manager, Felicia Thomas-Friel, Deputy Rate Counsel and Kurt S. Lewandowski, Assistant Deputy Rate Counsel, Division of Rate Counsel (Stefanie A. Brand, Director)**

**Carolyn McIntosh and Alex Moreau, Deputy Attorneys General, for Staff of the New Jersey Board of Public Utilities (John J. Hoffman, Acting Attorney General of New Jersey)**

**TO THE HONORABLE NEW JERSEY BOARD OF PUBLIC UTILITIES**

It is hereby AGREED, as of the 3<sup>rd</sup> day of April, 2014, by and among Rockland Electric Company (“RECO” or the “Company”), the Staff of the New Jersey Board of Public Utilities (“Staff”), and the Division of Rate Counsel (“Rate Counsel”) (referred to collectively as the “Signatory Parties”) to execute this Stipulation of Settlement (“Stipulation”) for RECO’s Energy Efficiency Stimulus Program (“EE Program”).

The Signatory Parties do hereby join in recommending that the New Jersey Board of Public Utilities (the “Board”) issue a Final Decision and Order approving this Stipulation, including the attachments and proposed sheets of RECO’s electric service tariff as set forth herein.

**BACKGROUND**

1. On June 21, 2013 RECO filed a Verified Petition in Docket Number ER13060535 (“Petition”) seeking Board approval to administer a RECO Energy Efficiency Stimulus Program (“EESP”) and to implement an associated cost recovery mechanism pursuant to N.J.S.A. 48:3-98.1. The Petition sought Board approval to implement a three-year EE Program and recover program costs and revenue requirements through the Company’s RGGI Surcharge.
2. In the Petition, RECO requested authorization to implement a “Low Income Audit and Direct Install Program Energy Efficiency II Program (“Low Income Audit II Program” or “Program”), which will provide free energy efficiency measures, recommended as a result of an energy audit, to customers in RECO’s service territory that meet the specified income criteria. The energy audit and installation of energy efficiency measures will be performed by a vendor chosen by the Company. The Company explained in the Petition that the Low Income Audit II Program is designed to be similar in most material respects to the Company’s current Low Income Audit I Program approved by the Board in Docket No. EO09010061.<sup>1</sup>
3. RECO filed its first EESP in 2009 (“2009 EESP”). The 2009 EESP was approved as a one-year program by the Board in its Decision and Order Approving Stipulation dated November 23, 2009 (“November 2009 Order”) in Docket Nos. EO09010056 and EO09010061.
4. The 2009 EESP included three sub-programs: (1) a Residential Enhanced Rebate Sub-Program, which provided enhanced rebates to induce residential energy consumers to select energy efficient measures; (2) an On-Line Energy Audit Sub-Program (“On-Line Sub-Program”), where the Company selected a vendor to create software so that customers could conduct an on-line energy audit and cost/benefit analysis, using their billing information from the

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<sup>1</sup> As the Petition explained, the Low Income Audit I Program was successful and exceeded its initial goal of 100 customers, but funding for the Low Income Audit I Program would be exhausted by the end of January, 2014.

Company's billing database; and, (3) a Low Income Audit and Install Sub-Program ("Low Income Audit I Program") where the Company selected a vendor to provide its low income customers with an energy audit and energy efficiency measures at no cost to the customer. The Board-approved budget for the Low Income Audit I Program was \$770,000.

5. RECO implemented the three sub-programs, but found at the end of 2010 that spending was less than anticipated, and requested that the Board approve the extension of the three sub-programs. The Board approved an extension of the programs through 2011 or until all budgeted funds were expended.<sup>2</sup>

6. In 2012, the On-Line Sub-Program had been implemented and was up and running. The Company found, however, that there was a lack of customer interest in the Residential Enhanced Rebate Sub-Program. At the same time, there was continued interest in the Low-Income Audit I Program. Customer goals for the Low Income Audit I Program had been exceeded and spending was under the Board-approved levels. The Company requested, and the Board approved, an extension of the Low Income Audit I Program through 2012,<sup>3</sup> or until all budgeted funds in the Low Income Audit I Program was expended, whichever came first, with a close-out by March 31, 2013.

7. The original budget for the Low Income Audit I Program was \$770,000. In 2012, the Company projected that spending through March 31, 2013 would leave an estimated sum of \$191,087 remaining in the original budget of \$770,000 for the Low Income Audit I Program, and requested an extension of the Low Income Audit I Program through 2013 or until all of the budgeted funds of the original budget amount of \$770,000 were expended, whichever came

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<sup>2</sup> See *Decision and Order Approving Stipulation*, Docket No. EO10120987 (March 30, 2011).

<sup>3</sup> See *Decision and Order Approving Stipulation*, Docket No. EO12020115 (March 12, 2012).

first, with a close-out by March 31, 2014. On March 20, 2013 the Board approved<sup>4</sup> an extension of the Low Income Audit I Program through December 31, 2013 or until all remaining funds for the Low Income Audit I Program were expended, with a close-out period to end March 31, 2014. The Company also agreed, and the Board ordered, that within 90 days of the Board Order approving the extension, the Company would file a new EESP petition replacing the Low Income Audit I Program. The Company filed the Petition that is the subject of this Stipulation in accordance with the Board's Order.

8. According to the Company's Petition, the Low Income Audit II Program, as proposed, targets participation by 100 eligible customers in each year of the three-year life of the program,<sup>5</sup> or 300 customers in total, and is designed to provide customers currently enrolled in the USF Program, households with an income level at or below 225% of the federal poverty guidelines, and customers who receive federal Supplemental Security Income, Home Energy Assistance, Lifeline, Pharmaceutical Assistance to the Aged and Disabled, Temporary Assistance to Needy Families or Section 8 Housing with energy efficiency measures at no charge based on results of an energy audit. As explained in the Petition, RECO will identify customers presently receiving USF benefits and those that may be referred through RECO's Customer Service department. RECO will conduct customer outreach through direct mail, telephone contact, mailers, and community events.

9. On October 8, 2013, Board Staff advised RECO that the Petition was administratively complete as of September 18, 2013 and the 180-Day review period would end March 17, 2014.

10. By Order dated November 22, 2013, the Board retained this matter for review and hearing and designated Commissioner Mary-Anna Holden as the presiding officer with the

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<sup>4</sup> See *Decision and Order Approving Stipulation*, Docket No. EO12121073 (March 20, 2013).

<sup>5</sup> The Petition proposed a three-year program, but as agreed in this Stipulation, the Low Income Audit II Program will only be a two-year Program.

authority to rule on all motions that arise during the pendency of these proceedings and modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues. Moreover, to enable the Board to effectively and efficiently carry out its mandate under N.J.S.A. 48:3-98.1 and to allow development of a complete record, the Board authorized Commissioner Holden to render a decision on a stipulation pursuant to N.J.S.A. 48:2-21.3 extending the 180 day review period provided that the extension stipulation is executed by all parties to the proceeding and the authority so delegated is limited to a single extension of the 180 period, with any further requests for extension to be directed to the Board.

11. The parties executed a February 12, 2014 Stipulation agreeing to extend the 180 day deadline to May 30, 2014. With that filing, the parties included a proposed procedural schedule, including dates for the filing of testimony and evidentiary hearings, in the event the matter did not settle. On February 18, 2014, Commissioner Holden approved the Stipulation and in doing so, authorized the extension of the 180 period to May 30, 2014 and the procedural schedule.

12. Extensive interrogatories, document requests, and informal discovery questions in this matter were propounded by Staff and Rate Counsel and the Company responded timely thereto.

13. Public Notice was provided and public hearings on the Company's EE Program filing were held on March 5, 2014 at 4:30 p.m. and 5:30 p.m. at the Mahwah Township Hall in Mahwah, New Jersey. No members of the public appeared at the public hearings.

14. During the period following the filing of the Company's Petition until the execution of this Stipulation, the Signatory Parties participated in a number of settlement conferences. The Signatory Parties agreed to submit this Stipulation to the Board for its review and approval, the terms of which are set forth herein. Specifically, the Signatory Parties hereby STIPULATE AND AGREE as follows:

## STIPULATED MATTERS

### A. Energy Efficiency Program

15. As explained by the Company in its Petition, the audits and the installation of energy efficiency measures will be performed by a contractor chosen by the Company through a competitive Request for Proposal process with the goal of hiring the most cost-effective contractor with the appropriate credentials to perform the scope of work. The Program, as filed by the Company, was a three-year program. However, as amended by this Stipulation, the Program will be a two-year program, and the two years will commence from the date of the signing of the contract between the Company and the contractor selected by the Company. A description of the program is set out in Exhibit 1.

16. As set out in Exhibit 2, the budget for the first year of the program is \$321,300. The budget for the second year of the program is \$328,330. In its Petition, the Company had proposed a budget based on the installation of \$3,500 in energy efficiency measures per household in 100 households in the first year of the Program. However, this Stipulation amends the budget for the Program by reducing the spending on energy efficiency measures to \$2,500 per household in the first year of the Program. The spending on energy efficiency measures will increase by 2.25 percent in the second year of the program to \$2,556 per household. Although the Program budget is based on installation of \$2,500 and \$2,556 per household, the Company's contractor can exceed these spending amounts on one household upon the approval of the Company's Program Administrator.

17. As originally proposed in its Verified Petition, the Company proposed a marketing budget of \$15,000 per year. However, this Stipulation amends the budget for the Program by reducing the marketing budget to \$5,000 for each year of the two-year program.

18. As part of the pending New Jersey Clean Energy Program (“NJCEP”) administrator transition and the utility working group process in the pending Comprehensive Resource Analysis (“CRA”) proceeding,<sup>6</sup> the Signatory Parties understand that modifications may be made to NJCEP programs and policy directions. The Company agrees to review the approved programs in cooperation with Board Staff and Rate Counsel to ensure alignment with NJCEP programs and administration. If necessary, modifications will be proposed.

#### **B. Program Evaluation**

19. The Company will use energy savings protocols from “New Jersey’s Clean Energy Program Protocols to Measure Resource Savings”, adopted by the Board’s Order dated December 22, 2004 in Docket No. EO04080894 and most recently revised in August 2012, or subsequent updates. For energy measures not included in the protocols, the Company’s contractor will obtain, wherever applicable, nameplate information on removed and installed appliances and apply engineering algorithms approved by the Board to estimate the customer energy and demand savings. A minimum of 10% of the total participants will be randomly selected for verification and inspection by the independent contractor selected by the Company or by a Company employee.

20. The Company will survey all of its participating customers to ascertain customer satisfaction with the Program. RECO reserves the right to seek the Board’s permission to

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<sup>6</sup> In the Matter of the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the 2013-2016 Clean Energy Program, BPU Docket No. EO11050324v.

modify the Low Income Audit II Program depending on the results of such surveys, with notice and opportunity for comment by Rate Counsel.

21. Before the conclusion of the Program, the Company will perform a cost-benefit analysis of the Program. The cost-benefit analysis will be performed by CEEP or in-house by the Company, at the discretion of the Company, and will be provided to BPU Staff and Rate Counsel.

**C. Cost Recovery**

22. RECO will recover the net revenue requirements associated with the Low Income Audit II Program as a component to the Company's RGGI Surcharge. The Low Income Audit II Program component of the RGGI Surcharge will be applicable to all rate schedules on an equal cents per kilowatt-hour basis for recovery of costs associated with the Low Income Audit II Program. The Low Income Audit II Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually, as described herein. The Low Income Audit II Program component of the RGGI Surcharge will be based on estimated revenue requirements from the first day of the month following the service of a Board Order approving the Program and a forecast of the Company's kWh deliveries to customers during the following twelve month period. Thereafter, the Low Income Audit II Program component of the RGGI Surcharge will be adjusted on an annual basis incorporating a true-up for any prior period over- or under-recoveries, an estimate of the revenue requirements for the upcoming year, and the forecasted kWh deliveries to customers during the upcoming year in which the revised Low Income Audit II Program component of the RGGI Surcharge will be in effect.

23. The Signatory Parties stipulate that the Low Income Audit II Program revenue requirements recovered through the Low Income Audit II Program component of the RGGI

Surcharge will be calculated to include a return on investment and a return of investment through amortization of the associated regulatory asset over sixty (60) months or five (5) years. The investment subject to deferral and recovery over the 60-month period and a return thereon includes all incremental program costs, e.g., inspections and contracted processes. The Signatory Parties further stipulate that this calculation will use the Weighted Average Cost of Capital ("WACC") used to set rates in the Company's most recently completed rate case, BPU Docket No.ER09-080668, except that the WACC will be based on a return on equity of 9.75% instead of 10.31%. As a result, the WACC for this calculation will be 7.93% (11.3% on a pre-tax basis).

24. The Signatory Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case (including the Company's now-pending base rate case in BPU Docket No. ER13111135) will be reflected in the subsequent monthly revenue requirement and interest calculations.

25. The Signatory Parties further agree that any change in the Revenue Requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the next scheduled annual true-up. A sample calculation of the revenue requirement for the purpose of setting the initial Low Income Audit II Program component of the RGGI Surcharge for a twelve month period ending May 31, 2015 is set forth in Exhibit 3 attached hereto and made a part of this Stipulation, and which is structured to produce revenues of approximately \$127,349.

26. In calculating the monthly interest on net over- and under-recoveries, the interest rate shall be based upon the rate as determined by the Board in its Order dated October 21, 2008 in Docket No. ER08060455. As set forth in that Order, the interest rate shall be the interest rate

based on 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, but shall not exceed RECO's pre-tax WACC as identified in Paragraph 22 above. The interest rate shall be reset each month. The interest amount charged to the RGGI Surcharge balances will be computed using the following methodology set forth in Exhibit 4 attached hereto and made a part of this Stipulation. The calculation of monthly interest shall be based on the net of tax beginning and ending average monthly balance. The monthly over-and under-recovery calculation will be based on actual revenues and the actual revenue requirement in each month. The Company shall accrue simple interest on any over- or under- recovered balances with an annual roll-in at the end of each 12-month reconciliation period. The true-up calculation of over- and under-recoveries, including interest, shall be included in the Company's annual petition ("Annual Filing") to adjust the Low Income Audit II Program component of the RGGI Surcharge.

27. The Signatory Parties request that the Board set the effective date of the revised Low Income Audit II Program component of the RGGI Surcharge to incorporate the revenue requirement provided for herein as of the first of the month following the date of service of the Board Order approving the Program.

28. The work associated with starting up the EE Program will commence upon receipt of a written Board Order in this proceeding and the costs of such work shall be subject to deferral and recovery in accordance with this Stipulation. Recovery of the Low Income Audit II Program revenue requirement will continue through the Low Income Audit II Program component of the RGGI Surcharge following the conclusion of the Low Income Audit II Program until all Low Income Audit II Program revenue requirements are fully recovered.

29. The Low Income Audit II Program component of the RGGI Surcharge will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under-recovered balance to be recovered from or returned to ratepayers over the following year. Any Board-ordered cost recovery adjustments resulting from the review of the actual Low Income Audit II Program costs will be made to the over/under-recovered deferred balance and reflected in the charges established for the following year pursuant to a Final Board Order.

30. The Signatory Parties stipulate that the Company will submit the Annual Filing, commencing with the 2014 annual period on a calendar basis, with copies provided to the Signatory Parties on February 1 and annually thereafter. Each Annual Filing will contain a reconciliation of the Company's Low Income Audit II Program component of the RGGI Surcharge recoveries and actual revenue requirements for the prior period and a forecast of revenue requirements associated with the Low Income Audit II Program for the upcoming 12-month period. The Annual Filing also will present actual costs to the extent incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudence. The Annual filing will provide information set forth in the Minimum Filing Requirements ("MFR") attached hereto as Exhibit 5 and made a part of this Stipulation. The Annual Filing will be subject to review by the Signatory Parties with opportunity for discovery and filed comments prior to the issuance of a Board Order establishing the Company's revised Low Income Audit II Program component of the RGGI Surcharge. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings if required by law.

31. The Signatory Parties agree that the proposed rates, as set forth in the tariff sheets in Exhibit 6, attached hereto are just and reasonable and RECO is authorized to implement the

proposed rates on the first of the month following the service of a Board Order approving the Program.

**D. Rate Impact**

32. As currently projected, the Low Income Audit II Program component of the RGGI Surcharge would initially be set at \$0.000083/kWh, including Sales and Use Tax ("SUT") (\$0.000078/kWh without SUT), as set forth in Exhibit 6, which would be in effect for the initial twelve-month period, to recover an estimated revenue requirement of approximately \$127,349. This initial Low Income Audit II Program component of the RGGI Surcharge will result in a monthly rate increase for a typical residential customer using 925 kWh per month of \$0.08 or 0.05% or approximately \$0.92 annually during the initial twelve-month period.

**CONCLUSION**

33. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion.

34. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed. It is the intent of the Signatory Parties that the provisions hereof be approved by the Board as being in the public interest. The Signatory Parties further agree that they consider the Stipulation to be binding on them for all purposes herein. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for

the purpose of these proceedings. Except as expressly provided herein, the Company, the Board, its Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item.

34. The Signatory Parties further agree that this Stipulation is in no way binding upon them and shall not be asserted in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Signatory Parties hereto do respectfully submit this Stipulation and request that the Board issue an appropriate Order approving it in its entirety, in accordance with the terms hereof.

**ROCKLAND ELECTRIC COMPANY**

Petitioner

By:   
Margaret Comes  
Attorney for Rockland Electric Company

**DIVISION OF RATE COUNSEL  
STEFANIE A. BRAND, DIRECTOR**

By:   
Kurt S. Lewandowski, Esq.  
Asst. Deputy Rate Counsel

**STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES  
JOHN J. HOFFMAN, ACTING ATTORNEY GENERAL OF NEW JERSEY**

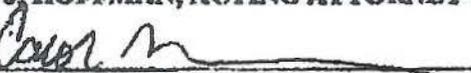
By:   
Carolyn McIntosh  
Deputy Attorney General

EXHIBIT 1  
PROGRAM DESCRIPTION

**SCHEDULE DEK-1**

**Low Income Audit and Direct Install II Program**

Program Type: Energy Audit/Direct Install/ Conservation

Eligible Customers: Low Income

Eligible Measures: CFLs, Refrigerators, Room A/C, Weatherization Measures

The Low Income Audit and Direct Install II Program (“Program”) is designed to provide eligible Rockland Electric Company (“Company”) customers with energy efficiency measures free of charge based on results of an energy audit. Site visits will include home energy audits and health and safety testing. Upon customer acceptance of the recommended measures they will be installed based on the audit results. The Company will provide recommended audit measures that may include: air sealing measures and thermal barriers, CFLs, LED light bulbs, programmable thermostats, insulation, and refrigerator and room air conditioner replacement. The maximum per household value for year one of the Program will be \$2,500. Field personnel may seek authorization to exceed this amount for an individual home from the program administrator if unique circumstances exist that would warrant the additional spending. Maximum spending per home will be increased in the second year of the Program by 2.25% to \$2,556 to account for increased costs per year. Field personnel may seek authorization to exceed this amount for an individual home from the program administrator if unique circumstances exist that would warrant the additional spending. Gas savings measures identified by the energy audit will be referred to the over-lapping Office of Clean Energy Comfort Partners Program.

This Program supports the 2011 Energy Master Plan goals to drive down the cost of electricity for all customers and to reward electricity efficiency and conservation and reduce peak demand. More specifically, the Program supports the implementation strategy to establish an integrated energy efficiency program.

**Program Objective**

The Program will assist low-income customers (which will include all customers currently meeting the Program’s income eligibility requirements) who own their own home or rent their home and have received landlord permission by installing recommended cost effective energy measures and educating the customers about energy efficient behaviors they can adopt. By installing these measures free of charge, the Company will remove an apparent market barrier of the high, initial cost of energy efficient measures for low income customers. Additional market barriers related to inadequate information, misunderstanding, and the lack of acceptance of efficiency measures will be addressed through Program marketing materials and information provided by the home auditors.

**Implementation Plan**

Letters describing the benefits of participating in the Program will be sent to all of the Company's current 762 Universal Service Fund customers, as well as customers known to be eligible for the Program. The Company will also make outreach efforts to local organizations serving the low income or other potentially eligible customer segments. Outreach efforts will be targeted at 100 of the eligible customer base per year on a first-come, first-served basis. The customer identification and application process will be administered by RECO staff (i.e., a RECO Program Administrator).

RECO will select a single contractor through a competitive bid process to perform the customer audits and associated measure installations. RECO's Program Administrator will oversee the contractor's activities and will establish annual program goals and performance metrics for the contractor. The Program Contractor will be responsible for:

- Development of a customer participation agreement;
- Conduct energy audits including health and safety testing;
- Implement energy efficiency measures;
- Obtain landlord consent when necessary;
- Complete program reporting as necessary; and
- Development and implementation of a quality assurance plan.

## **Evaluation Plan**

### **IMPACT EVALUATION**

Energy savings will be determined based on the savings protocols from "New Jersey's Clean Energy Program Protocols to Measure Resource Savings," adopted by Order on December 22, 2004 in Docket No. EO048080894, and most recently revised August 2012, or subsequent updates approved by the Board. For energy measures that are not included in these protocols, the Program Contractor will obtain, wherever applicable, nameplate information on removed and installed appliances and apply engineering algorithms approved by the Board to estimate the customer energy and demand savings. However, the benefits of this Program extend beyond the quantification of energy savings because customers are receiving energy efficiency measures that they otherwise could not afford.

### **PROCESS VALUATION**

Follow up surveys will be conducted with participating customers to determine customer satisfaction with Program features. Results may be used to modify Program delivery and implementation for the upcoming Program period.

### **QUALITY ASSURANCE VERIFICATION**

Randomly selected participants amounting to a minimum of 10% of the total program participants will be subject to verification and inspection by a contractor selected by the Company or by a Company employee.

Exhibit 2 - Final Program Operating Budget  
 Revised February 25, 2014 for Settlement  
 RECO Low Income Audit and Direct Installation Pilot Program  
 Program Operating Budget

Line #	Operating Costs		Program Year 1	Program Year 2	Cumulative Program Spending
	Incremental O&M Expenses & Capital Investment (RGGI cost categories)	notes:			
1	Program Expenses	Admin & Program Development (Utility Costs)*	\$39,000	\$39,780	\$78,780
2		Marketing & Sales (includes Call Center, Bill Inserts & Website)	\$5,000	\$5,000	\$10,000
3		Training	\$0	\$0	\$0
4		Customer Rebates, Grants & Other Direct Incentives **	\$250,000	\$256,250	\$506,250
5		Contracted Processes, Inspections and Other Quality Control	\$12,000	\$12,000	\$24,000
6		Evaluation	\$15,300	\$15,300	\$30,600
7		<b>Total Estimated O&amp;M Expenses (Line 1-6)</b>		<b>\$321,300</b>	<b>\$328,330</b>

\*Administration includes a 2% annual salary increase

\*\*Customer Rebates and Direct Incentives includes a 2.25% annual increase



**ROCKLAND ELECTRIC COMPANY**

**Calculation of Over/Under Recovery Associated with Low Income Audit II Program Component of RGGI Surcharge**

**ILLUSTRATIVE EXAMPLE TO SHOW OVER/UNDER RECOVERY**

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
<b>1. Determination of (Over)/Under Recovered Balance</b>													
Revenue Requirement @ WACC = 7.93%	\$10,612	\$10,612	\$10,612	\$10,612	\$10,612	\$10,612	\$10,612	\$10,612	\$10,612	\$10,612	\$10,612	\$10,612	\$127,349
Monthly Recoveries	12,000	11,000	9,000	5,000	11,000	15,000	8,000	12,795	14,958	15,658	12,000	14,000	\$140,349
(Over)/Under Recovery	(\$1,388)	(\$388)	\$1,612	\$5,612	(\$388)	(\$4,388)	\$2,612	(\$2,122)	(\$4,344)	(\$5,046)	(\$1,388)	(\$3,368)	(\$13,000)

**2. Determination of Interest**

(Over)/Under Recovery	(\$1,388)	(\$388)	\$1,612	\$5,612	(\$388)	(\$4,388)	\$2,612	(\$2,122)	(\$4,344)	(\$5,046)	(\$1,388)	(\$3,368)	(\$13,000)
Beginning Balance - (Over)/Under Recovery	\$0	(\$1,388)	(\$1,775)	(\$163)	\$9,462	\$5,074	\$674	\$3,287	\$1,164	(\$3,179)	(\$6,225)	(\$9,613)	(\$9,613)
Ending Balance (Over)/Under Recovery	(\$1,388)	(\$1,775)	(\$163)	\$5,450	\$5,062	\$674	\$3,287	\$1,164	(\$3,179)	(\$8,225)	(\$9,613)	(\$13,000)	(\$13,000)
Average Balance (Over)/Under	(\$664)	(\$1,581)	(\$669)	\$2,643	\$5,266	\$2,868	\$1,981	\$2,225	(\$1,008)	(\$5,702)	(\$8,919)	(\$11,306)	(\$11,306)
Average Balance (Over)/Under - Net of Tax	(\$410)	(\$936)	(\$573)	\$1,564	\$3,109	\$1,697	\$1,171	\$1,316	(\$586)	(\$3,373)	(\$5,275)	(\$6,668)	(\$6,668)
Interest Rate (Annual) <sup>1</sup>	0.87%	0.87%	0.85%	0.83%	0.80%	0.80%	0.84%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Interest Rate (Monthly)	0.07%	0.07%	0.07%	0.07%	0.07%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%
Interest (To Customer)/To Company	(\$0)	(\$1)	(\$0)	\$1	\$2	\$1	\$1	\$1	(\$0)	(\$3)	(\$4)	(\$5)	(\$5)

Total (Over)/Under Collection Including Interest

Notes: <sup>1</sup> Federal Reserve Board US Treasury Securities at two year constant maturity plus 60 basis points. Interest calculated on a net-of-tax basis.

(\$13,000)

Exhibit 5

**Minimum Filing Requirements for the Annual Cost True-up Proceedings**

1. Direct Full Time Employee (FTE) employment impacts.
2. A quarterly revenue requirement calculation based on program expenditures, showing the actual quarterly revenue requirement for each of the past twelve months or clause review period, as well as supporting calculations, including the information related to the tax rate and revenue multiplier used in the revenue requirement calculation.
3. For the review period, actual revenues, by month and by rate class recorded under the programs.
4. Monthly beginning and ending clause balances, as well as the average balance net of tax for the 12-month period.
5. The interest rate used each month for over/under recoveries, and all supporting documentation and calculations for the interest rate.
6. The interest expense to be charged or credited to ratepayers each month.
7. A schedule showing budgeted versus actual program costs by the following categories: administrative (all utility costs), marketing/sales, training, rebates/incentives, including inspections and quality control, program implementation (all contract costs), evaluation, and any other costs.
8. The monthly journal entries relating to regulatory asset and O&M expenses for the 12 month review period.
9. Supporting details for all administrative costs included in the revenue requirement.
10. Information supporting the carrying cost used for the unamortized costs.
11. Number of program participants, including a breakdown by sub-program.

DRAFT

Revised Leaf No. 58  
Superseding Revised Leaf No. 58

GENERAL INFORMATION

**No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE**

The RGGI Surcharge shall be applied to the kWh usage on the bills of all customers served under this Schedule. The RGGI Surcharge shall include the costs related to the Company's

- (a) Energy Efficiency Stimulus Program ("EES Program") and
- (b) Low Income Audit and Direct Install Energy Efficiency Program ("Low Income Audit II Program").

The RGGI Surcharge to be effective on and after the date indicated below shall be set at (0.0045)038 cents per kWh, including sales and use tax ("SUT"). The RGGI Surcharge includes the following rate components:

	<u>RGGI Surcharge Rate Components (Cents per kWh)</u>	
	<u>Excluding SUT</u>	<u>Including SUT</u>
<u>EES Program</u>	<u>(0.0045)</u>	<u>(0.0045)</u>
<u>Low Income Audit II Program</u>	<u>0.0078</u>	<u>0.0083</u>
<u>Total RGGI Surcharge</u>	<u>0.0036</u>	<u>0.0038</u>

(a) EES Program

The EES Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the EES Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the EES Program and actual recoveries through the EES Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On September 1 of each year, the Company shall file with the Board the EES Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following January 1. The EES Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted EES Program revenue requirement over the twelve-month period commencing the following January 1.

(b) Low Income Audit II Program

The Low Income Audit II Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the Low Income Audit II Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the Low Income Audit II Program and actual recoveries through the Low Income Audit II Program component of the RGGI Surcharge will be deferred, with interest, for future recovery in the case of an under-collection or for future credits in the case of an over-collection.

On February 1 of each year, the Company shall file with the Board the Low Income Audit II

ISSUED:

EFFECTIVE:

ISSUED BY: Timothy Cawley, President  
Mahwah, New Jersey 07430

Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following June 1. The Low Income Audit II Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted Low Income Audit II Program revenue requirement over the twelve-month period commencing the following June 1.

Interest will be included in the deferred balance for both an over-collection and for an under-collection for the EES Program component of the RGGI Surcharge and will be calculated as determined by the Board in its Order dated October 21, 2008 in Docket Number ER08060455.

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ISSUED:

EFFECTIVE:

ISSUED BY: Timothy Cawley, President  
Mahwah, New Jersey 07430