



Agenda Date: 1/27/16  
Agenda Item: 20

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE BOARD'S ESTABLISHMENT )	DECISION AND ORDER
OF A GENERIC PROCEEDING TO REVIEW THE )	APPROVING STIPULATION
COSTS, BENEFITS AND RELIABILITY IMPACTS OF )	
MAJOR STORM EVENT MITIGATION EFFORTS )	DOCKET NO. AX13030197
)	
)	
)	
IN THE MATTER OF THE VERIFIED PETITION OF )	
ROCKLAND ELECTRIC COMPANY FOR )	
ESTABLISHMENT OF A STORM HARDENING )	
SURCHARGE )	DOCKET NO. ER14030250

**Parties of Record:**

**James C. Meyer, Esq.**, Riker Danzig Scherer Hyland & Perretti LLP, for Rockland Electric Company

**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

**BY THE BOARD:**

The Board of Public Utilities ("Board") is empowered to ensure that regulated public utilities provide safe, adequate and proper service to the citizens of New Jersey. N.J.S.A. 48:2-23. Pursuant to N.J.S.A. 48:2-13, the Board has been vested by the Legislature with the general supervision and regulation of and jurisdiction and control over all public utilities, "so far as may be necessary for the purpose of carrying out the provisions of [Title 48]." The courts of this State have held that the grant of power by the Legislature to the Board is to be read broadly, and that the provisions of the statute governing public utilities are to be construed liberally. See, e.g. In re Public Service Electric and Gas Company, 35 N.J. 358, 371 (1961); Township of Deptford v. Woodbury Terrace Sewerage Corp., 54 N.J. 418, 424 (1969); Bergen County v. Dep't of Public Utilities, 117 N.J. Super. 304 (App. Div. 1971). The Board is also vested with the authority, pursuant to N.J.S.A. 48:2-19, to investigate any public utility, and, pursuant to N.J.S.A. 48:2-16 and 48:2-40, to issue orders to public utilities.

In 2011 and 2012, Rockland Electric Company ("RECO" or the "Company") experienced several major storm events in its service territory of unprecedented severity, destructive force, and customer impact: (1) Hurricane Irene on August 27-28, 2011; (2) an unseasonable

snowstorm on October 29, 2011; (3) Superstorm Sandy on October 29, 2012; and (4) a Nor'easter during the Superstorm Sandy restoration.

On March 20, 2013, the New Jersey Board of Public Utilities ("Board") issued an Order ("March 20, 2013 Order") in I/M/O the Board's Establishment of a Generic Proceeding to Review Costs, Benefits and Reliability Impacts of Major Storm Event Mitigation Efforts, BPU Docket No. AX13030197 ("Generic Storm Mitigation Proceeding"), recognizing "that there remains a very real threat from future major storm events." The Board found that "it is critical to investigate prudent, cost efficient and effective opportunities to protect New Jersey's utility infrastructure against damage from future Major Storm Events." The Board invited the submission of proposals by the State's utilities upgrades designed to protect the State's utility infrastructure from future major storm events.

On November 27, 2013, RECO filed a Verified Petition ("Base Rate Petition") in the base rate proceeding, I/M/O the Verified Petition of Rockland Electric Company for Approval of Changes in Electric Rates, Its Tariff for Electric Service, and Its Depreciation Rates; Termination of the Smart Grid Surcharge; Establishment of a Storm Hardening Surcharge; and for Other Relief, BPU Docket No. ER13111135 ("2013-2014 Base Rate Case"). The Base Rate Petition, among other things, contained proposals to implement various incremental storm hardening and resiliency projects in response to recent, heightened major storm activity and proposed a rate mechanism to recover the costs of those proposals. The Base Rate Petition was transmitted to the Office of Administrative Law ("OAL") for evidentiary hearings.

By letter from Board Staff to the OAL dated February 26, 2014, the Board requested that the OAL return the portions of RECO's 2013-2014 Base Rate Case pertaining to the requested approval of storm hardening measures and associated costs so that they may be made part of the Generic Storm Mitigation Proceeding. In its March 20, 2013 Order, the Board directed that each utility's storm mitigation filing with the Board would be reviewed in a separate sub-docketed proceeding.

By letter dated March 18, 2014, RECO filed with the Board those portions of its Base Rate Petition and supporting exhibits and testimony from the 2013-2014 Base Rate Case relating to its proposed storm hardening measures and associated costs, in I/M/O the Verified Petition of Rockland Electric Company for Establishment of a Storm Hardening Surcharge, BPU Docket No. ER14030250 ("RECO Storm Hardening Proceeding").

On March 16, 2015, the Company filed its Amended and Restated Petition in the RECO Storm Hardening Proceeding ("Amended Petition"). The Amended Petition set forth the Company's updated request for approval to establish incremental storm hardening and resiliency programs and its request for approval of a rate mechanism to recover the costs of those proposals. The Amended Petition superseded and replaced all earlier Company filings in the RECO Storm Hardening Proceeding. In the Amended Petition, the Company sought approval of programs designed with the intent of hardening and increasing the resiliency of RECO's electric distribution system. Specifically, the Company sought approval of a five-year program consisting of \$61.1 million of capital investments for projects designated in the categories of selective undergrounding, enhanced overhead construction, substation flood mitigation, storm resiliency/smart grid, and meter upgrade subprograms (collectively, the "Storm Hardening Program", "SHP", or "Program") and \$4.2 million in operation and maintenance ("O&M") costs related to implementation of the subprograms.

The Company proposed a Storm Hardening Surcharge, applied to the kWh usage of all customer bills, to recover the costs of those programs over the five-year term of the program, after which term any unrecovered program costs would be rolled-into base rates.

In support of and as part of the Amended Petition, the Company filed the direct testimony of four witnesses/witness panels: the Storm Hardening Panel (comprised of Wayne Banker and Stephen Prall); the Smart Grid Panel (comprised of Joe White and John Murphy); the Meter Upgrade Panel (comprised of James Burke, Gabriel Cano and Joe White); and the Accounting and Rate Panel (comprised of Kenneth Kosior, Cheryl Ruggiero and Eric Caban).

By Order dated April 16, 2015, the Board retained the matter, designated Commissioner Mary-Anna Holden as the presiding officer to rule on all motions and determine schedules, and directed that any motions to intervene or participate be filed on or before June 5, 2015. No motions to intervene or participate were filed.

Commissioner Holden issued a Prehearing Order dated July 9, 2015 setting forth a schedule for public hearings, a site-visit, pre-filing of witness testimony, discovery, evidentiary hearings, and other matters.

Two public hearings were held on September 9, 2015, one in the afternoon and one in the evening. The public hearings were attended by members of the public and local municipal officials.

On August 3, 2015, Commissioner Holden's aide and the Parties conducted a field visit ("Field Visit") relating to the Company's proposed incremental storm hardening and resiliency programs. The Field Visit included a presentation at the Company's offices at One Lethbridge Plaza, Route 17 North, Mahwah, New Jersey, regarding its storm hardening and resiliency proposals, followed by inspection of the Mercedes Drive underground project and the extended distribution circuit exits project for the Summit Avenue Substation.

On September 4, 2015, the New Jersey Division of Rate Counsel ("Rate Counsel") pre-filed the direct testimonies of: Andrea C. Crane (cost recovery); the Rate Counsel Storm Hardening Panel, consisting of Maximilian Chang and Charles P. Salamone (substation flood mitigation, overhead hardening measures, selective undergrounding, distribution automation, and enhanced vegetation management); and Tim Woolf (meter upgrade).

On October 9, 2015, the Company submitted the rebuttal testimony of the Accounting and Rate Panel, the Storm Hardening Panel, the Smart Grid Panel and the Meter Upgrade Panel.

Throughout the course of the proceeding, the Parties engaged in extensive discovery. The Company responded to over 230 interrogatories and document requests from Rate Counsel and Board Staff (many with subparts) addressing all aspects of its proposals, the Amended Petition and the pre-filed direct and rebuttal testimony. Rate Counsel also responded to interrogatories directed to its pre-filed testimony.

The Parties conducted an in-person settlement/discovery conference on August 5, 2015 and a follow-up discovery teleconference/webinar on August 12, 2015. In addition, the Parties held in person and/or telephonic settlement conferences on October 29, November 23, and November 24, 2015. At the conclusion of the settlement discussions, the Parties agreed to adjourn the evidentiary hearings, scheduled to commence during the first week of December, 2015, so that the Stipulation could be finalized.

## **STIPULATION**<sup>1</sup>

Following the review of discovery, testimony, and transcripts, on January 7, 2016 RECO, Rate Counsel, and Board Staff (collectively, "Signatory Parties") executed a stipulation of settlement ("Stipulation") resolving all of the issues in the proceeding. In pertinent part, the Stipulation provides the following:

The Program consists of the capital investment of up to \$15,724,100.00 over a period ending three years from the Effective Date of this Board Order and will be recovered on an interim basis, subject to refund based upon Board and Rate Counsel review, through the stipulated cost recovery mechanism which includes a revenue adjustment calculation and a process for semi-annual base-rate roll-ins ("SHP Revenue Adjustment Mechanism"). No O&M costs shall be recovered through the SHP Revenue Adjustment Mechanism.

The SHP consists of the following subprograms that have investment levels up to the associated amounts, to be recovered through the SHP Revenue Adjustment Mechanism: a) \$5,089,900.00 for Selective Undergrounding (i.e., the West Milford project); (b) \$2,334,200.00 for Overhead System Construction Projects; (c) \$300,000.00 for Substation Flood Mitigation (i.e., the Muscle Wall System); and (d) \$8 million for Distribution Automation/Smart Grid Expansion. The exact nature of the subprograms is detailed in paragraphs 21 through 25 of the Stipulation.

The timing and accounting for provisional program investment recoverability are detailed in paragraph 30 of the Stipulation.

The SHP investment of \$15,724,100.00, plus associated Allowance for Funds Used During Construction ("AFUDC"), are eligible to flow through the new SHP Revenue Adjustment Mechanism. The revenue requirement for the adjustment pursuant to the SHP Revenue Adjustment Mechanism is calculated as detailed in paragraph 33 of the Stipulation.

The revenue requirement associated with the SHP will be recovered through a uniform percentage increase to base distribution charges for service classifications Nos. 1, 2, 3, 4, 5, 6 and 7. The uniform percentage increases will not be applied to any of the customer charges of these service classifications. The base distribution rates that are revised as a result of the semi-annual roll-in pursuant to the SHP Revenue Adjustment Mechanism will be calculated utilizing the billing determinants underlying the distribution rates established in RECO's 2013-2014 Base Rate Case, except that if the billing determinants are revised in the next base rate case or any subsequent Base Rate Case, the revised billing determinants will be used thereafter.

The Company agrees to expend, on average over the three year term of this Stipulation, \$1.7 million per year for vegetation management. Costs related to vegetation management will not be recovered in the SHP Revenue Adjustment Mechanism.

Attachment A to the Stipulation provides for the projected capital expenditures of each subprogram.

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<sup>1</sup> Although described at some length in this Order, should there be any conflict between this summary and the Settlement, the terms of the Settlement control, subject to the findings and conclusion in this Order.

Attachment B to the Stipulation provides a sample roll-in calculation.

Attachment C to the Stipulation provides the revenue multiplier.

Attachment D to the Stipulation describes the minimum filing requirements.

Attachment E to the Stipulation provides the schedule of depreciation rates set forth in Appendix D, pages 1 and 2, of the Stipulation of Settlement approved in the Board's July 23, 2014 Order Approving Stipulation in the 2013-2014 Base Rate Case used for calculating the depreciation expense.

## **DISCUSSION AND FINDINGS**

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997). The March 20 Order found that it was appropriate to invite all regulated utilities to submit detailed proposals for infrastructure upgrades designed to protect the State's utility infrastructure from future Major Storm Events. The March 20 Order required Board Staff to review the efficacy of the measures proposed by the utilities and examine the costs to be potentially incurred by the utilities in association with efforts to protect utility infrastructure from future Major Storm Events, as well as any potential benefits. After carefully considering the record in this proceeding and the terms of the Stipulation, the Board is persuaded that the current settlement satisfies these goals.

The Signatory Parties agree that the goal of the RECO Storm Hardening Program is to provide prudent, cost efficient, and effective opportunities to protect New Jersey utility infrastructure against damage from and provide resiliency in response to future major storm events and are appropriate and in the public interest. The Board is persuaded that the RECO SHP, if successfully executed, will help protect RECO's infrastructure from future Major Storm Events. The program provides for reporting by the Company and oversight by Staff and Rate Counsel. Based on the Board's review of the petition and Stipulation, the Board is persuaded that the current proposal satisfies those goals as well as the directives contained in the March 20 Order.

With respect to the stipulated cost recovery mechanism, the Board is persuaded that the mechanism proposed in the Stipulation allows the Company rate recovery for all expenditures related to facilities that have been placed in service, but on a provisional basis, subject to refund. These costs will be subject to review in the next Base Rate Case which the Company has committed to filing by July 31, 2018. The Board believes the cost recovery mechanism adopted in the Stipulation strikes a more effective balance between giving the Company a reasonable opportunity to earn its allowed rate of return over the life of the investment while still protecting ratepayers from paying more than reasonably necessary. First, no rates will be charged to customers until the facilities for which the rates are being charged are in service. This contrasts with the original proposal calling for a clause mechanism more akin to contemporaneous recovery. Second, there will be no deferred cost recovery allowed so that the Company will not book returns between the time the plant goes into service and the rates go into effect. Because the Stipulation does not provide for deferred cost accounting, it is appropriate to include rate relief on a more frequent basis.

Based on the Board's careful review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Stipulation to be reasonable and in accordance with the law, striking an appropriate balance between the needs of customers and of the Company.

Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

The Board **HEREBY RATIFIES** the decisions of Commissioner Holden rendered during the proceedings for the reasons stated in her Orders.

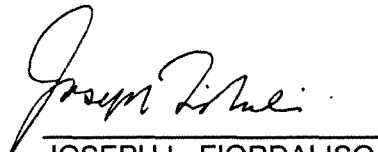
The Company's costs will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

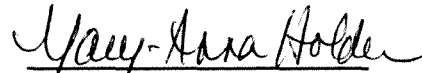
This Order shall be effective on February 6, 2016.

DATED: *Jan 28, 2016*

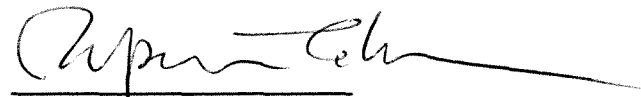
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BY:

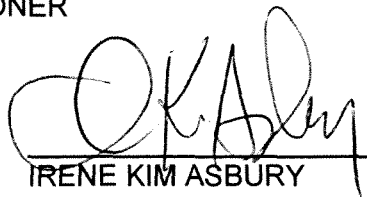
  
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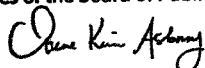
  
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DIANNE SOLOMON  
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ATTEST:   
IRENE KIM ASBURY  
SECRETARY

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 NEW JERSEY NATURAL GAS COMPANY FOR  
APPROVAL OF THE NJ RISE PROGRAM AND ASSOCIATED RATE RECOVERY  
MECHANISM

DOCKET NOs. AX13030197 & ER14030250

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ATTORNEYS AT LAW

January 7, 2016

**Via Hand Delivery**

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**Re: I/M/O the Verified Petition of Rockland Electric Company for  
Establishment of a Storm Hardening Surcharge  
BPU Docket No. ER14030250  
Stipulation**

Dear Secretary Asbury:

Enclosed for filing please find eleven copies of a fully executed Stipulation in the above-captioned proceeding. The parties have agreed that this Stipulation should be addressed at the Board's January, 2016 agenda meeting.

Please note that the signature page reflects electronic (PDF) copies of the Parties' signatures. The original signature pages are being collected and we will submit them separately.

Kindly stamp the extra copy "filed" and return in the enclosed self-addressed postage paid envelope.

Respectfully submitted,

James C. Meyer  
Riker, Danzig, Scherer, Hyland & Perretti, LLP  
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Rockland Electric Company

c: Attached Service List

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Establishment of a Storm Hardening Surcharge  
BPU Docket No. ER14030250**

**Board of Public Utilities**

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

I/M/O THE VERIFIED PETITION OF )  
ROCKLAND ELECTRIC COMPANY FOR ) **STIPULATION**  
ESTABLISHMENT OF A STORM )  
HARDENING SURCHARGE ) BPU DOCKET NO. ER14030250

**APPEARANCES:**

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Brian O. Lipman, Esq., Litigation Manager, Ami Morita, Esq., Managing Attorney-Electric, Diane Schulze, Assistant Deputy Rate Counsel Esq., Christine M. Juarez, Esq., Assistant Deputy Rate Counsel, James Glassen, Esq., Assistant Deputy Rate Counsel, Kurt Lewandowski, Assistant Deputy Rate Counsel (Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel)

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

This Stipulation is made as of January 6, 2016 by and among Rockland Electric Company (“RECO”, the “Company”, or “Petitioner”), the New Jersey Division of Rate Counsel (“Rate Counsel”) and Staff of the Board of Public Utilities (“Staff”) (each referred to herein individually as a “Party” and collectively as the “Parties”) to resolve the Company’s Amended Petition in this docket and to join in recommending that the Board of Public Utilities (“Board”) issue a Final Decision and Order approving this Stipulation.

**BACKGROUND**

1. In 2011 and 2012, the Company experienced several major storm events in its service territory of unprecedented severity, destructive force, and customer impact: (1) Hurricane Irene on August 27-28, 2011; (2) an unseasonable snowstorm on October 29, 2011; (3)

Superstorm Sandy on October 29, 2012; and (4) a Nor'easter during the Superstorm Sandy restoration. The unprecedented damage to the Company's system and customer outages from these major storm events are detailed in the Company's Amended Petition.

2. On March 20, 2013, the Board issued an Order ("March 20, 2013 Order") in *I/M/O the Board's Establishment of a Generic Proceeding to Review Costs, Benefits and Reliability Impacts of Major Storm Event Mitigation Efforts*, BPU Docket No. AX13030197 ("Generic Storm Mitigation Proceeding"), recognizing "that there remains a very real threat from future major storm events." The Board found that "it is critical to investigate prudent, cost efficient and effective opportunities to protect New Jersey's utility infrastructure against damage from future Major Storm Events." The Board invited the submission of proposals by the State's utilities for infrastructure upgrades designed to protect the State's utility infrastructure from future major storm events.

3. On November 27, 2013, RECO filed a Verified Petition ("Base Rate Petition") in the base rate proceeding, *I/M/O the Verified Petition of Rockland Electric Company for Approval of Changes in Electric Rates, Its Tariff for Electric Service, and Its Depreciation Rates; Termination of the Smart Grid Surcharge; Establishment of a Storm Hardening Surcharge; and for Other Relief*, BPU Docket No. ER13111135 ("2013-2014 Base Rate Case"). In response to the Board's March 20, 2013 Order, the Base Rate Petition, among other things, contained proposals to implement various incremental storm hardening and resiliency proposals in response to recent, heightened major storm activity and a proposed rate mechanism to recover the costs of those proposals. The Base Rate Petition was transmitted to the Office of Administrative Law ("OAL") for evidentiary hearings.

4. By letter from Board Staff to the OAL dated February 26, 2014, the Board requested that the OAL return to the Board the portions of RECO's 2013-2014 Base Rate Case pertaining to the requested approval of storm hardening measures and associated costs so that they may be made part of the Generic Storm Mitigation Proceeding. In its March 20, 2013 Order, the Board directed that each utility storm mitigation filing with the Board would be reviewed in a separate sub-docketed proceeding.

5. By letter dated March 18, 2014, RECO identified and filed directly with the Board those portions of its Base Rate Petition and supporting exhibits and testimony from the 2013-2014 Base Rate Case relating to its proposed storm hardening measures and associated costs, in *I/M/O the Verified Petition of Rockland Electric Company for Establishment of a Storm Hardening Surcharge*, BPU Docket No. ER14030250 ("RECO Storm Hardening Proceeding").

6. In order to update its filing, on March 16, 2015, the Company filed its Amended and Restated Petition in the RECO Storm Hardening Proceeding ("Amended Petition"). The Amended Petition set forth the Company's updated proposals to establish incremental storm hardening and resiliency programs, and its request for approval of a rate mechanism to recover the costs of those proposals. The Amended Petition superseded and replaced any earlier Company filings in the RECO Storm Hardening Proceeding. In the Amended Petition, the Company sought approval of programs to harden RECO's electric distribution system (i.e., make it better able to withstand the impacts of hurricanes and other severe weather events and reduce the frequency of outages), and programs to increase system resiliency (i.e., allow RECO's system to recover more quickly from damage and allow service to customers to be restored more quickly than would otherwise be the case). Specifically, the Company sought approval of a five-year program consisting of \$61.1 million of capital investments (for selective undergrounding,



enhanced overhead construction, substation flood mitigation, storm resiliency/smart grid, and meter upgrade subprograms) and \$4.2 million in operation and maintenance (“O&M”) costs (for enhanced overhead systems construction, substation flood management, enhanced vegetation management, and storm resiliency/smart grid subprograms).

7. The Company proposed a Storm Hardening Surcharge, applied to the kWh usage of all customer bills, to recover the costs of those programs over the five-year term of the program, after which term any unrecovered program costs would be rolled-into base rates.

8. In support of and as part of the Amended Petition, the Company filed the direct testimony of four witnesses/witness panels: the Storm Hardening Panel (comprised of Wayne Banker and Stephen Prall); the Smart Grid Panel (comprised of Joe White and John Murphy); the Meter Upgrade Panel (comprised of James Burke, Gabriel Cano and Joe White); and the Accounting and Rate Panel (comprised of Kenneth Kosior, Cheryl Ruggiero and Eric Caban).

9. By Order dated April 16, 2015, the Board retained the matter, designated Commissioner Mary-Anna Holden as the presiding officer to rule on all motions and determine schedules, and directed that any motions to intervene or participate be filed on or before June 5, 2015.

10. No motions to intervene or participate were filed.

11. Commissioner Holden issued a Prehearing Order dated July 9, 2015 setting forth a schedule for public hearings, a site-visit, pre-filing of witness testimony, discovery, evidentiary hearings, and other matters.

12. Two public hearings were held on September 9, 2015, one in the afternoon and one in the evening. The public hearings were attended by members of the public and certain municipal officials.

13. On August 3, 2015, Commissioner Holden's aide and the Parties conducted a field visit ("Field Visit") relating to the Company's proposed incremental storm hardening and resiliency programs. The Field Visit included a presentation at the Company's offices at One Lethbridge Plaza, Route 17 North, Mahwah, New Jersey, regarding its storm hardening and resiliency proposals, followed by inspection of the Mercedes Drive underground project and the extended distribution circuit exits project for the Summit Avenue Substation.

14. On September 4, 2015, Rate Counsel pre-filed the direct testimonies of: Andrea C. Crane (cost recovery); the Rate Counsel Storm Hardening Panel, consisting of Maximilian Chang and Charles P. Salamone (substation flood mitigation, overhead hardening measures, selective undergrounding, distribution automation, and enhanced vegetation management); and Tim Woolf (meter upgrade).

15. On October 9, 2015, the Company submitted the rebuttal testimony of the Accounting and Rate Panel, the Storm Hardening Panel, the Smart Grid Panel and the Meter Upgrade Panel.

16. During the course of the proceeding, the Company responded to over 230 comprehensive interrogatories and document requests from Rate Counsel and Staff (many with subparts) addressing all aspects of its proposals, the Amended Petition and the pre-filed direct and rebuttal testimony. Rate Counsel also responded to many interrogatories directed to its pre-filed testimony.

17. The Parties conducted an in-person settlement/discovery conference on August 5, 2015 and a follow-up discovery teleconference/webinar on August 12, 2015. The Company responded to several informal discovery requests that were made during those conferences.

18. In addition, the Parties held in person and/or telephonic settlement conferences on October 29, November 23, and November 24, 2015.

19. At the conclusion of the settlement discussions, the Parties agreed to adjourn the evidentiary hearings, scheduled to commence during the first week of December, 2015, so that this Stipulation could be finalized.

### **STIPULATED MATTERS**

In consideration of the foregoing and the mutual promises and covenants set forth herein, the Parties **HEREBY STIPULATE AND AGREE** to the following:

#### **A. RECO Storm Hardening Program**

20. The RECO Storm Hardening Program (“SHP”, “Storm Hardening Program” or “Program”) consists of the capital investment of up to \$15,724,100 over a period ending three years from the Effective Date (defined below) to be recovered, on an interim basis, subject to refund based on the review discussed below in paragraphs 31 and 32, through the stipulated cost recovery mechanism which includes a revenue adjustment calculation and a process for semi-annual base-rate roll-ins, described below in paragraphs 28 through 33 (“SHP Revenue Adjustment Mechanism”). No O&M costs shall be recovered through the SHP Revenue Adjustment Mechanism. The Storm Hardening Program includes incremental storm hardening and system resiliency subprograms that have investment levels up to the following amounts over a three year period to be recovered through the SHP Revenue Adjustment Mechanism: (a) \$5,089,900 for Selective Undergrounding (i.e., the West Milford project); (b) \$2,334,200 for Overhead System Construction Projects; (c) \$300,000 for Substation Flood Mitigation (i.e., the Muscle Wall System); and (d) \$8 million for Distribution Automation/Smart Grid Expansion. The Parties agree that the goal of these programs is to provide prudent, cost efficient, and

effective opportunities to protect New Jersey utility infrastructure against damage from and provide resiliency in response to future major storm events. These subprograms are listed in Attachment A and described in paragraphs 21 through 25 below. The work to be performed under each SHP sub-program is described in the following paragraphs.

21. Selective Undergrounding. The Selective Undergrounding sub-program consists of a single project located in West Milford, New Jersey. The project will provide for the installation of a new circuit consisting of approximately 8,500 feet of underground construction from the West Milford substation along Marshall Hill Road to Ridge Road (just south of Union Valley Road). Circuit 79-5-13, which exits the West Milford substation and runs approximately 5,000 feet as an overhead double circuit heading west along Marshall Hill Road, will be relocated underground from the substation to the intersection of Macopin Road and Union Valley Road.

22. Overhead System Construction. Under the Overhead System Construction subprogram, the Company will undertake the following five enhanced overhead system construction projects:

- Harrington Park-Harriet Ave (Schraalenburgh to Bogert Mill). This project involves the replacement of approximately 5,500 feet of 3/0 ACC overhead primary with higher capacity mainline spacer cable construction (477 conductors) and the installation of Class 2 – 50 foot poles.
- Old Tappan-Old Tappan Road Reconductor. This project involves replacement of approximately 2,500 feet of 3/0 ACC overhead primary with mainline spacer cable construction and the installation of Class 2- 50 foot poles.
- Closter-Cedar Lane (Tie to Shraalenburgh Road). This project involves the replacement of 2,000 feet of overhead primary with mainline spacer cable construction (477 conductors) and the installation of Class 2- 50 foot poles to establish an alternate tie (28-5-13 and 28-8-13).
- Oakland-Chuckanutt Drive Tie. This project involves the upgrading replacement of approximately 1,800 feet of single phase construction with new three phase

spacer construction (477 conductor) and installation of Class 2- 50 foot poles to establish an alternate tie (35-10-13 and 35-5-13).

- Wycoff-Godwin Avenue Mainline. This project involves the replacement of approximately 2,600 feet of #2 ACSR overhead primary with higher capacity mainline open wire construction (477 conductors) and the installation of Class 2-50 foot poles.

23. The five overhead projects making up the Overhead System Construction sub-program are described in paragraph 22 above and listed with projected budgets on Attachment A. The Parties recognize that it may be difficult to precisely budget each overhead project. Accordingly, the Parties agree that a process enabling the Company to make adjustments to overhead project budgets in response to real conditions is justified, so that investment may be reallocated among the five overhead projects as set forth in this paragraph with an Overhead System Construction Sub-Program investment cap of \$2,334,200 (“Overhead System Construction Sub-Program Investment Cap”). The Parties agree that for adjustments in the cumulative amount of 15% or less of the Overhead System Construction Sub-Program Investment Cap, RECO shall be authorized to make adjustments on an immediate basis. RECO shall notify Board Staff and Rate Counsel in writing (which shall be provided electronically) of any adjustments within 30 days of making the adjustment. RECO shall not make cumulative adjustments exceeding 15% of the Overhead System Construction Sub-Program Investment Cap without 15 days prior written notification (which shall be provided electronically) to Board Staff (Director, Division of Energy or designee) and Rate Counsel providing them the opportunity to object within that time period. If there is no objection by Board Staff or Rate Counsel within 15 days of receipt of the electronic notice, or if the Company and the Parties are able to resolve any objection, the Company may move forward with the change.

24. Substation Flood Mitigation. The Company will purchase a Muscle Wall Flood and Containment Solution (“Muscle Wall”) that it will store and pre-position as needed to divert flood water out of the Cresskill and Upper Saddle River substations. The Company may recover up to \$300,000 through the SHP Revenue Adjustment Mechanism for the one-time capital cost of a Muscle Wall.

25. Distribution Automation/Smart Grid Expansion. The Distribution Automation/Smart Grid Expansion sub-program involves the expenditure of up to \$8 million over three years to be recovered through the SHP Revenue Adjustment Mechanism for the capital investments described in this paragraph. Specifically, the Company will invest up to \$8 million over three years for the following types of equipment and circuit enhancements:

- Select circuits with no automation devices will be paired with another circuit as part of an auto-loop, and have added mid-point reclosers, a tie recloser, supervisory control and data acquisition (“SCADA”) operable switches and SCADA operable capacitor banks;
- Select circuits that already have just mid-point reclosers will be paired with another circuit as part of an auto-loop, and have added a tie recloser, SCADA operable switches and SCADA operable capacitor banks; and
- Select circuits that are already part of an auto-loop will have added SCADA operable switches and SCADA operable capacitor banks.

26. The Company will develop and provide the Board Staff and Rate Counsel with a quantified selection criteria that incorporates information including, but not limited to, major event outages, number of customers, and critical customers to rank and select appropriate projects.

**B. Term**

27. The SHP shall continue for a period of three years (36 months) from the Effective Date of the Board Order approving this Stipulation. The Parties understand that a Board Order

approving this Stipulation shall 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.

**C. Cost Recovery**

28. The Parties agree that \$15,724,100 of the Storm Hardening Program investment as defined in paragraph 20 above, plus associated Allowance for Funds Used During Construction (“AFUDC”), shall be eligible to flow through the new SHP Revenue Adjustment Mechanism, as defined herein, on an interim basis subject to refund based on the review discussed below in paragraphs 31 and 32. This mechanism will be as indicated in paragraphs 28 through 33 of this Stipulation and Attachment B to this Stipulation. Pursuant to the July 23, 2014, Order Approving Stipulation in the 2013-2014 Base Rate Case, the Company shall make a base rate filing on or before July 31, 2018. Recognizing that the time period for investment under the SHP has been set at three years, the SHP Revenue Adjustment Mechanism and semi-annual base rate roll-ins will continue to be used to recover the SHP investments up to \$15,724,100. The prudence of specific SHP investments will be reviewed in the next base rate case that is filed by the Company after those investments are placed into service (“Next Base Rate Case”).

29. Cost recovery will occur for completed SHP projects pursuant to the SHP Revenue Adjustment Mechanism with review on a semi-annual basis, with schedules, procedures, and filings as detailed in subsequent paragraphs. Costs to be recovered will include the return on net plant in service as of the end of the semi-annual period. Net plant will be calculated as gross plant in service, less accumulated depreciation, less accumulated deferred income taxes. The revenue requirement will also include depreciation expense and the revenue multiplier (all applicable taxes and uncollectibles).

30. The Company shall proceed on the following schedule following public notice and public hearing, recognizing that the prudence of the investments will be determined in the Next Base Case, as addressed above. The schedule below anticipates semi-annual notice, public hearings, and rate adjustments to cover all rate changes for the SHP investments:

- a. Revenue Requirements associated with program investments that are placed into service through and including December 31, 2016 shall go into base rates effective April 1, 2017. RECO shall make its initial filing for such rates by October 15, 2016, and update such filing for actual data through December 31, 2016 by January 15, 2017.
- b. Revenue Requirements associated with program investments that are placed into service from January 1, 2017 through and including June 30, 2017 shall go into base rates effective October 1, 2017. The Company shall make its initial filing for such rates by April 15, 2017, and update such filing for actual data through June 30, 2017 by July 15, 2017.
- c. Revenue Requirements associated with program investments that are placed into service from July 1, 2017 through and including December 31, 2017 shall go into base rates effective April 1, 2018. RECO shall make its initial filing for such rates by October 15, 2017, and update such filing for actual data through December 31, 2017 by January 15, 2018.
- d. Revenue Requirements associated with program investments that are placed into service from January 1, 2018 through and including June 30, 2018 shall go into base rates effective October 1, 2018. RECO shall make its initial filing for such rates on or before April 15, 2018, and update such filing for actual data through June 30, 2018 by July 15, 2018.
- e. Revenue Requirements associated with program investments that are placed into service from July 1, 2018 through and including December 31, 2018 shall go into base rates effective April 1, 2019. RECO shall make its initial filing for such rates by October 15, 2018, and update such filing for actual data through December 31, 2018 by January 15, 2019.
- f. To the extent that any portion of the \$15,724,100 is not included in the roll-in schedule above, RECO shall have the ability to make additional roll-in filings with the Board utilizing the SHP Revenue Adjustment Mechanism specified below and consistent with the time periods set forth in the semi-annual schedule identified above.



31. The review of the prudence of all projects undertaken in the SHP will not take place prior to or in connection with the base rate roll-ins and SHP Revenue Adjustment Mechanism established herein. The rate adjustments established in the semi-annual rate filing proceedings established herein shall be provisional and subject to refund based upon a Board finding that the Company imprudently incurred capital expenditures under the SHP. Such prudence review shall take place in the Company's Next Base Case.

32. Rate Counsel and Board Staff will have the opportunity to request discovery on the information provided by the Company in its semi-annual filings described in paragraph 30. Nothing herein will preclude any Party from raising in the Next Base Case any objection that could have been raised to the annual or semi-annual filings.

33. The revenue requirement for the adjustment pursuant to the SHP Revenue Adjustment Mechanism shall be calculated as follows:

Storm Hardening Program Investment Costs - All qualifying SHP capital expenditures, including actual costs of engineering, design and construction, and property acquisition, including actual labor, materials, contractor costs, overhead, and capitalized AFUDC associated with the projects ("SHP Investment Costs"), will be recovered through base rate roll-ins for each of the time periods described above. The SHP Investment Costs will be recorded, during construction, in an associated Construction Work In Progress ("CWIP") account or in a Plant in Service account upon the respective project being deemed used and useful. The Company will follow its current policies and practices with regard to capitalizing costs, including overheads.

Net Investment - Is equal to the SHP Investment Costs that have been placed into service less the associated accumulated depreciation less accumulated deferred income taxes.

Weighted Average Cost of Capital ("WACC") - The return on the incremental investments undertaken in the SHP shall be at a WACC including a 9.75% return on common equity as approved by the Board in the 2013-2014 Base Rate Case and a 5.89% cost of debt (the Company's cost of debt as of March 31, 2014). The portion of debt and equity in the capital structure shall be as determined in the Company's 2013-2014 Base Rate Case (i.e., Equity: 50.35%, Debt: 49.65%). This results in a WACC of 7.83%<sup>1</sup> or 6.64% on an after tax basis.

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<sup>1</sup> When calculating a Revenue Requirement using pre-tax WACC, only the weighted cost of common equity of the WACC is to be grossed up for income taxes using the Revenue Factor to properly reflect the tax deductibility of interest expense.

The rate base roll-ins will be calculated using the following formula:

$$\text{Revenue Requirement} = ((\text{SHP Rate Base} * \text{After Tax WACC}) + \text{Depreciation Expense (net of tax)} + \text{Tax Adjustments}) * \text{Revenue Factor}^2$$

- i. **SHP Rate Base** -- The SHP Rate Base will be calculated as Plant in Service, including CWIP transferred into service and associated AFUDC, less accumulated depreciation and less associated accumulated deferred income taxes. AFUDC will be calculated using the same methodology used for current distribution assets consistent with the Company's AFUDC policy, and as permitted by FERC Order 561, which includes compounding AFUDC on a semi-annual basis. The cost of equity used in the Company's AFUDC calculation shall not exceed 9.75%.
- ii. **Depreciation Expense** - Depreciation expense will be calculated as the SHP Investment Costs by asset class multiplied by the associated depreciation rate applied to the same asset in current base rates and then calculated net of tax. The Company will apply the applicable depreciation rates from the schedule of depreciation rates set forth in Appendix D, pages 1 and 2, of the Stipulation of Settlement approved in the Board's July 23, 2014 Order Approving Stipulation in the 2013-2014 Base Rate Case. (A copy of pages 1 and 2 of Appendix D to the 2013-2014 Base Rate Case is attached hereto as Attachment E).
- iii. **Tax Adjustments** - Includes the effects of any flow through items and any tax law changes codified by the Internal Revenue Service, the State of New Jersey or any other taxing authority.
- iv. **Revenue Multiplier** - The Revenue Multiplier adjusts the Revenue Requirement Net of Tax for federal and state income taxes and Uncollectibles. The then-current statutory state and federal income tax rates will be utilized. The percentage used to calculate the uncollectible expense is based upon the percentage determined in the Company's latest base rate case. An illustrative calculation of the Revenue Multiplier is attached as Attachment C.
- v. **Cost of Removal** - The revenue requirement will not include an expense for the recovery of the Cost of Removal (depreciation rates do not include cost of removal); however, the revenue requirement will include the return on the Cost of Removal included in net plant.
- vi. **O&M Expense** - O&M expenses associated with the SHP will not be included in the semi-annual revenue requirement filings nor will such costs be deferred.

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<sup>2</sup> The use of after-tax WACC rate of return recognizes the tax deductibility of interest when the Revenue Factor is applied in deriving the Revenue Requirement.

**D. Rate Design**

34. The revenue requirement associated with the SHP will be recovered through a uniform percentage increase to base distribution charges of the following service classifications: Service Classification Nos. 1, 2, 3, 4, 5, 6 and 7. The uniform percentage increases will not be applied to any of the customer charges of these service classifications. The base distribution rates that are revised as a result of the semi-annual roll-in pursuant to the SHP Revenue Adjustment Mechanism will be calculated utilizing the billing determinants underlying the distribution rates established in RECO's 2013-2014 Base Rate Case, except that if the billing determinants are revised in the Next Base Rate Case or any subsequent base rate case, the revised billing determinants will be used thereafter.

**E. Minimum Filing Requirements ("MFRs")**

35. Each SHP rate change filing shall be accompanied by the MFRs that are set forth in Attachment D hereto.

**F. Future Proceedings**

36. The Company has indicated that it intends to file meter upgrade proposals (e.g., for the installation of advanced metering) in a future base rate or other proceeding before the Board. The Parties reserve their rights to take any position with regard to any metering programs proposed by the Company, and acceptance of the terms of this Stipulation does not constitute acceptance of any such future proposals by the Company, which will be reviewed *de novo*.

**G. Vegetation Management**

37. The Company agrees to expend, on average over the three year term of this Stipulation, \$1.7 million per year for vegetation management. Costs related to vegetation management will not be recovered in the SHP Revenue Adjustment Mechanism.

**FURTHER PROVISIONS**

38. Attachments. All attachments referenced in and attached to this Stipulation are incorporated by reference herein as if set forth in the body of the Stipulation.

39. Voluntariness. The Parties agree that this Stipulation is voluntary, consistent with law, fully dispositive of the issues addressed herein, and in the public interest. The Parties have entered this Stipulation after consideration of the Amended Petition, the pre-filed testimony of the Parties, discovery in this matter, the March 20, 2013 Order, and after settlement discussions.

40. Board Approval. It is the intent of the Parties that the provisions herein by approved by the Board as being in the public interest. The Parties agree that the Board should issue an Order that adopts this Stipulation in its entirety and thereby authorizes RECO to implement the SHP and the SHP Revenue Adjustment Mechanism. The Parties hereby request that the Board address this matter not later than at its agenda meeting occurring in the month of January, 2016 and that the Board issue a written Order approving this Stipulation as soon as practicable following that agenda meeting. Each Party agrees to use its best efforts to ensure this Stipulation is submitted in a timely fashion and to urge the Board to issue its approval of this Stipulation without modification or condition.

41. Rights Upon Disapproval or Modification. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and is intended to be accepted and approved in its entirety. This Stipulation is an integral settlement and the various parts hereof

are not severable without upsetting the balance of agreements and compromises achieved among the Parties. In the event that any particular aspect of this Stipulation is not accepted and approved by the Board, without modification, or is modified by a court of competent jurisdiction, then any Party aggrieved thereby is not bound to proceed with the Stipulation and 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, including but not limited to the right to litigate all issues addressed in the Amended Petition to a conclusion.

42. Party Reservations. This Stipulation represents a negotiated agreement and the Parties consider it to be binding on them for all purposes herein. Except as expressly provided herein, RECO, Board 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, whether in total or by specific item. This Stipulation is in no way binding precedent on the Parties in any other proceeding except to enforce the terms of this Stipulation. This Stipulation is without prejudice to the positions of the respective Parties with respect to any future base rate cases or other proceedings involving the Company, except as specifically set forth herein.

43. Captions. The subject headings in this Stipulation are inserted solely for the purpose of convenient reference and are not intended to, nor shall they, affect the meaning of any provision of this Stipulation.

44. Governing Law. This Stipulation shall be governed and construed in accordance with the laws of the State of New Jersey.

45. Execution. This Stipulation may be executed in one or more counterparts. Each Party has caused its duly authorized representative to execute below and deliver this Stipulation.

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

ROCKLAND ELECTRIC COMPANY

By: 

James C. Meyer, Esq.  
RYKER DANZIG SCHERER  
HYLAND & PERRETTI LLP

Title: Counsel

STEFANIE BRAND

Director, Division of Rate Counsel

By: 

Brian O. Lipman, Esq.

Title: Litigation Manager

JOHN J. HOFFMAN

ACTING ATTORNEY GENERAL OF  
NEW JERSEY

Attorney for the Staff of the Board of Public  
Utilities

By: 

Alex Moreau, Esq.

Title: Deputy Attorney General

ATTACHMENT A

Rockland Electric Company  
Storm Hardening Program

Incremental Storm Hardening and System Resiliency Subprograms – Projected Capital Expenditures (Three Years)  
(Thousands of Dollars)

<b>Subprogram</b>	<b>Program/Project Name</b>	<b>Amount</b>
Overhead System Construction	Harrington Park - Harriot Ave (Schraalenburgh To Bogert Mill)	\$ 830.0
Overhead System Construction	Old Tappan - Old Tappan Rd Reconductor	331.6
Overhead System Construction	Closter - Cedar Lane (Tie to Schraalenburgh Road)	300.2
Overhead System Construction	Oakland - Chuckanut Drive tie	420.3
Overhead System Construction	Wyckoff - Godwin Ave mainline	452.1
	<b>Total Overhead System Construction Subprogram</b>	<b>2,334.2</b>
Substation Flood Mitigation	Substation Flood Mitigation/Muscle Wall	300.0
Selective Undergrounding	West Milford UG Ckt 2 & Ckt 5	5,089.9
Smart Grid Expansion	Distribution Automation/Smart Grid Expansion Program	8,000.0
	<b>Total Storm Hardening Program</b>	<b>\$ 15,724.1</b>

## ATTACHMENT B

Rockland Electric Company  
Storm Hardening Program  
Sample Annual Roll-In Calculation

Rate Base Calculation	Total
1 Gross Plant	\$5,000
2 Accumulated Depreciation	42
3 Rate Base	<u>5,042</u>
4 Accumulated Deferred Taxes	(441)
5 Net Rate Base	<u>4,601</u>
6 Rate of Return – Net WACC	6.64%
7 Return Requirement – Net of Tax	306
8 Depreciation	42
9 Revenue Recovery	<u>348</u>
10 Revenue Multiplier	<u>1.6937</u>
11 Total Revenue Requirement	<u><u>\$589</u></u>



ATTACHMENT C

Rockland Electric Company  
Incremental Storm Hardening and System Resiliency Programs  
Revenue Multiplier  
For Twelve Months Ending March 31, 2014

1. Revenue		100.00%	
Less:			
2. Uncollectibles		<u>0.18%</u>	(A)
3. Taxable Income		99.82%	
4. State Income Taxes @	9.00%	<u>8.98%</u>	(B)
5. Federal Taxable Income		90.84%	
6. Income Taxes @	35.00%	<u>31.79%</u>	(B)
7. Operating Income		59.04%	
8. Revenue Multiplier		<u>1.6937</u>	(C)

Sources:

(A) BPU Docket No. ER13111135, OAL Docket No. PUC 17625-2013N, Company Filing, 12+0 Update, Exhibit P-2, Summary, Page 3.

(B) Reflects statutory tax rates.

(C) Line 1 / Line 7.

## ATTACHMENT D

### MINIMUM FILING REQUIREMENTS

- 1) RECO's income statement for the most recent 12 month period, as filed with the Board.
- 2) RECO's balance sheet for the most recent 12 month period, as filed with the Board.
- 3) RECO's overall approved SHP capital budget broken down by major categories, both budgeted and actual amounts.
- 4) For each SHP subprogram:
  - a. The original project summary for each subprogram;
  - b. Expenditures incurred to date; and
  - c. Appropriate metric (e.g., relays installed).
- 5) Anticipated subprogram timeline with updates and expected changes.
- 6) A calculation of the proposed rate adjustment based on details related to SHP projects included in Plant in Service.
  - a. A calculation of the associated depreciation expense, based on those projects closed to Plant in Service during the period.
- 7) A list of any and all funds or credits received from the United States government, the State of New Jersey, a county or a municipality, for work related to any of the SHP Program projects, such as relocation, reimbursement, or stimulus money.
  - a. An explanation of the financial treatment associated with the receipt of the government funds or credits.
- 8) A revenue requirement calculation showing the actual capital expenditures for the period for which the filing is made, as well as supporting calculations.

**ATTACHMENT E**

Appendix D  
Page 1 of 2

**ROCKLAND ELECTRIC COMPANY  
DEPRECIATION RATES**

<u>ACCT</u>	<u>ACCOUNT TITLE</u>	<u>LIFE TABLE</u>	<u>AVERAGE SERVICE LIFE</u> (years)	<u>NET SALVAGE FACTOR</u> (percent)	<u>ANNUAL DEPRECIATION RATE</u> (percent)
<b>INTANGIBLE PLANT</b>					
301000	ORGANIZATION	-	-	-	-
302000	FRANCHISE & CONSENTS	-	-	-	-
303820	NJ REAL TIME PRICING	(A)	-	-	Amort.
<b>TRANSMISSION PLANT (Not in B)</b>					
350000	LAND - EASEMENTS	-	-	-	-
350100	LAND & LAND RIGHTS - FEE	-	-	-	-
352000	STRUCTURES & IMPROVEMENTS	h 2.00	50	-	2.00
353000	STATION EQUIPMENT	h 1.50	35	-	2.50
354000	TOWERS AND FIXTURES	h 3.00	60	-	1.67
355000	POLES AND FIXTURES	h 3.00	50	-	2.00
356000	OH CONDUCTOR AND DEVICES	h 2.00	50	-	2.00
358100	OH COND & DEV - CLEARING	h 2.00	60	-	1.67
357000	UNDERGROUND CONDUIT	h 2.00	60	-	1.67
358000	UG CONDUCTOR AND DEVICES	h 3.50	50	-	2.00
358100	UG COND & DEV - CLEARING	h 3.50	30	-	3.33
359000	ROADS AND TRAILS	h 3.00	60	-	1.67
<b>DISTRIBUTION PLANT</b>					
360000	LAND - EASEMENTS	-	-	-	-
360100	LAND & LAND RIGHTS - FEE	-	-	-	-
361000	STRUCTURES & IMPROVEMENTS	h 2.75	55	-	1.82
362000	STATION EQUIPMENT	h 1.50	45	-	2.22
364000	POLES, TOWERS & FIXTURES	h 1.50	65	-	1.54
365000	OH CONDUCTOR & DEVICES	h 2.00	65	-	1.54
365100	OH COND & DEV - CAPACITORS	h 2.00	30	-	3.33
366000	UNDERGROUND CONDUIT	h 2.00	70	-	1.43
367000	UG CONDUCTOR AND DEVICES	h 3.50	65	-	1.54
367100	UG COND & DEV - CABLE CURE	h 3.50	65	-	1.54
368000	TRANSFORMERS	h 1.00	50	-	2.00
369100	SERVICES - OVERHEAD	h 3.00	70	-	1.43
369200	SERVICES - UNDERGROUND	h 4.00	70	-	1.43
370100	<b>METER PURCHASES</b>				
	ELECTRO-MECHANICAL	h 1.00	25	-	4.00
	SOLID-STATE	h 1.00	20	-	5.00
370200	<b>METER INSTALLATIONS</b>				
	ELECTRO-MECHANICAL	h 1.00	25	-	4.00
	SOLID-STATE	h 1.00	20	-	5.00
370300	<b>DEMAND REC &amp; PURCHASES</b>				
	ELECTRO-MECHANICAL	h 1.00	25	-	4.00
	SOLID-STATE	h 1.00	20	-	5.00
370800	BURGE PROTECTORS	-	-	-	-
371000	INST ON CUSTOMER PREM	h 2.00	45	-	2.22
373100	STREETLIGHTING - OH	h 1.00	45	-	2.22
373200	STREETLIGHTING - UG	h 1.00	45	-	2.22

ROCKLAND ELECTRIC COMPANY  
DEPRECIATION RATES

ACCT	ACCOUNT TITLE	LIFE TABLE	AVERAGE SERVICE LIFE (years)	NET SALVAGE FACTOR (percent)	ANNUAL DEPRECIATION RATE (percent)
<b>PLANT HELD FOR FUTURE USE</b>					
390008	LAND - EASEMENTS	-	-	-	-
390108	LAND & LAND RIGHTS - FEE	-	-	-	-
<b>GENERAL PLANT</b>					
390100	LAND & LAND RIGHTS - FEE	-	-	-	-
390000	STRUCTURES & IMPROVEMENTS	11.00	00	-	2.00
390103	STRUCT & IMP - SADDLE RIVER	(A)	-	-	Amort.
390104	STRUCT & IMP - LETHBRIDGE	(A)	-	-	Amort.
391100	OFFICE FURN & EQ - FURNITURE	(A)	20	-	5.00 (C)
391200	OFFICE FURN & EQ - MACHINES	(A)	15	-	6.67 (C)
391700	OFFICE FURN & EQ - EDP EQUIP	(A)	8	-	12.50 (C)
393000	STORES EQUIPMENT	(A)	20	-	5.00 (C)
394000	TOOLS & WORK EQUIPMENT	(A)	20	-	5.00 (C)
394200	GARAGE EQUIPMENT	(A)	30	-	3.33 (C)
395000	LABORATORY EQUIPMENT	(A)	25	-	4.00 (C)
396000	POWER OPERATED EQUIPMENT	(A)	20	-	5.00 (C)
397000	COMMUNICATION EQUIPMENT	(A)	15	-	6.67 (C)
397100	COM EQ - TELE. SYS. COMPUTER	(A)	8	-	12.50 (C)
397200	COM EQ - TELEPHONES	(A)	15	-	6.67 (C)
398000	MISCELLANEOUS EQUIPMENT	(A)	20	-	5.00 (C)
					Annual Amortization / Balance
699010	RESERVE VARIATION AMORTIZATION - ER02100724				391,333
699020	RESERVE VARIATION AMORTIZATION - EXCESS NET SALVAGE - ER02100724				343,333
699030	CURRENT NET SALVAGE ALLOWANCE				320,808
699040	NET SALVAGE DEFICIENCY (2006 CASE)				(46,128)
699050	NET SALVAGE DEFICIENCY (2009 CASE)				
699060	NET SALVAGE DEFICIENCY (2013 CASE)				<u>390,820</u>
					<u>\$ 2,447,167</u>

(A) Amortizable

(B) Depreciation rates for Transmission Plant remain unchanged as they are not subject to the NJ Board's approval.

(C) The net book costs of General plant currently in service is being amortized over their computed remaining lives by account. Plant added subsequent to Aug 1, 2014 is being amortized over the average service life of each account.