



Chris Christie  
Governor

Kim Guadagno  
Lt. Governor

**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  
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Kristi Izzo  
Secretary to the Board  
(609) 292-1599

July 25, 2014

James C. Meyer, Esq.  
Riker, Danzig, Scherer, Hyland, Perretti, LLP  
Headquarters Plaza One  
Speedwell Avenue  
Morristown, NJ 07962

Stefanie A. Brand, Esq., Director,  
Division of Rate Counsel  
140 East Front Street, 4<sup>th</sup> Floor  
Post Office Box 003  
Trenton, NJ 08625-0003

RE: IN THE MATTER OF 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 & OAL DOCKET NO. PUC 17625-2013

Dear Mr. Meyer and Ms. Brand:

Please be advised that an error on the first page of the order entered July 23, 2014 has been brought to our attention. The error does not affect the substance of the order or the resolution of the base rate case. On the first page under "Parties of Record" James C. Meyer, Esq. was incorrectly identified as representing Atlantic City Electric. The Order has been corrected to identify James C. Meyer, Esq. as representing Rockland Electric Company and is attached.

If you have any questions, please feel free to contact me and my apologies for any inconvenience.

Sincerely,

A handwritten signature in blue ink that reads "Kristi Izzo".

Kristi Izzo  
Secretary to the Board



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ENERGY

IN THE MATTER OF THE VERIFIED PETITION OF ) ORDER APPROVING STIPULATION  
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 ) BPU DOCKET NO. ER13111135  
FOR OTHER RELIEF ) OAL DOCKET NO. PUC 17625-2013

**Parties of Record:**

**James C. Meyer, Esq.**<sup>1</sup> **Riker Danzig Scherer Hyland & Perretti, LLP**, on behalf of Rockland Electric Company  
**Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this order the New Jersey Board of Public Utilities ("Board") is considering a stipulation of settlement entered into by Rockland Electric Company ("RECO" or "Company"), the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff (collectively, the "Parties") that resolves RECO's November 27, 2013 Base Rate Case Verified Petition in Docket No. ER13111135. ("Base Rate Case")

**BACKGROUND AND PROCEDURAL HISTORY**

As stated above, on November 27, 2013, pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1, RECO, a public utility of the State of New Jersey subject to the jurisdiction of the Board, filed a petition for approval of an increase in its operating revenues of approximately \$19.3 million (exclusive of Sales and Use Tax) or 7.6% to be effective for electric service provided on or after January 1, 2014, as well as for certain other tariff changes and changes in its depreciation rates. The petition further requests approval from the Board to terminate the Smart Grid surcharge and to establish a storm hardening surcharge, among other relief. According to the petition, the primary reasons for the requested increase were the ongoing increased carrying costs for investments made since the Company's base rates were last adjusted, coupled with new infrastructure investments, increases in the cost of labor and materials, and increases in the costs to provide health care and retiree pensions and other post-employment benefits. The Company also sought recovery for incurred and deferred significant costs relating to Hurricane Irene, the October 2011 snow storm and Superstorm Sandy.

<sup>1</sup> This Order was originally released with Mr. Meyers' affiliation incorrectly listed. The only change to the Order corrects this error and as a result of the addition of this footnote, all other footnotes are renumbered.

The Company's filing was based on a test year of the twelve months ending March 31, 2014, with six months of estimated data and six months of actual data. The petition was accompanied by exhibits and pre-filed testimony.

On December 6, 2013, the matter was transmitted to the Office of Administrative Law ("OAL") as a contested case, and was assigned to Administrative Law Judge ("ALJ") Irene Jones. On April 23, 2014, ALJ Jones issued a pre-hearing order establishing a procedural schedule including evidentiary hearings on June 23 through June 27, 2014, and July 8 and 11, 2014. No motions to intervene were filed.

On January 28, 2014, the Company filed an update to its test year data to include an additional three months of actual results. The update to the filing also included an updated revenue requirement of \$22.6 million. On April 23, 2014, the Company filed a subsequent update of the data reflecting 12 months of actual data through March 31, 2014, as well as certain adjustments relating to decreased sales. The update alleged a revenue deficiency of \$23.8 million, translating into a request for a 9.3% increase on a total revenue basis.<sup>1</sup> The 12+0 update included the Company's updated costs related to Hurricane Irene, the October 2011 snow storm and Superstorm Sandy.

By Order dated February 19, 2014, the Board suspended the proposed rates and charges pursuant to N.J.S.A. 48:2-21(d) until July 3, 2014 unless prior to that date the Board made a determination disposing of the petition or entered an order further suspending the proposed revisions. On March 19, 2014, the Board revised its February 19, 2014 suspension order stating that it inadvertently suspended the proposed revisions beyond the four month period contained in N.J.S.A. 48:2-21(d). Thus, it revised the suspension of the proposed rates and charges until May 1, 2014. By Order dated April 24, 2014, the Board further suspended the proposed rates and charges until the earlier of September 1, 2014 or a decision on the petition.

### **RECO's Storm Cost Petition**

On March 20, 2013, the Board issued an Order establishing a generic proceeding in BPU Docket No. AX13030196 ("March 20 Order")<sup>2</sup> to examine the prudence of costs incurred by New Jersey utilities in response to major storm events in 2011 and 2012 related to Hurricane Irene in 2011, the October 2011 Snow Storm, and Superstorm Sandy in 2012 ("Major Storm Events"). Pursuant to the March 20 Order, RECO filed a report dated July 1, 2013 detailing its unreimbursed major storm costs. Thereafter, on September 30, 2013, RECO filed a Verified Petition ("Storm Costs Petition") with supporting testimony, exhibits and appendices in the generic proceeding and RECO's specific docket.<sup>3</sup> The Storm Costs Petition, updated on March 28, 2014, requested that the Board issue an Order finding that the unreimbursed, uninsured incremental preparation, recovery and restoration costs incurred by RECO associated with the Major Storm Events were reasonably and prudently incurred, and authorize RECO to recover its deferred operation and maintenance (O&M) and capital costs traced to the damage caused by the Major Storm Events.

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<sup>1</sup> After the filing of the 12&0 Update the Company discovered an error and revised this revenue deficiency figure to \$23.3 million, which is a 9.1% increase on a total revenue basis. Schedule A, Page 1 of 3, attached to the Stipulation includes the revised figure of \$23.3 million.

<sup>2</sup> In re the Board's Establishing a Generic Proceeding to Review the Prudence of Costs Incurred by New Jersey Utility Companies in Response to Major Storm Events in 2011 and 2012, BPU Docket No. AX13030196, March 20, 2013.

<sup>3</sup> In the Matter of the Board's Review of the Prudence of the Costs Incurred by Rockland Electric Company in Response to Major Storm Events in 2011 and 2012, BPU Docket Nos. AX13030196, EO13070611.

On May 21, 2014, the Board issued its Decision and Order Approving Stipulation in the Storm Costs Petition ("Storm Costs Order") determining that \$5,600,555 in capital Major Storm Costs and \$25,645,780 of deferred O&M Major Storm Costs are deemed reasonable, prudent and eligible and appropriate for inclusion in, and recovery through RECO's base rates. The Board then transmitted the capital and deferred O&M Major Storm Costs to the OAL for inclusion in the Base Rate Case.

### **Base Rate Case**

Rate Counsel and RECO filed direct and rebuttal testimony on May 9, 2014, and June 2, 2014, respectively.

After public notice via newspapers with circulation in the Company's service territory, public hearings on RECO's proposed base rate increase were held on April 30, 2014 at 3:30 and 6:30 p.m. in Mahwah, New Jersey. Four members of the public attended the public hearings and placed their comments on the record.

After engaging in discovery and settlement negotiations, on July 1, 2014, the Company, Board Staff, and Rate Counsel, executed a stipulation of settlement of the Base Rate Case ("Rate Case Stipulation").

### **THE PROPOSED STIPULATION**<sup>4</sup>

The key provisions of the Base Rate Case Stipulation are as follows:

1. **Effective Date.** The Parties agree that the Board should issue a written Order approving this Stipulation so that revenue recovery and rates set forth herein shall become effective for service rendered on and after August 1, 2014 (the "Effective Date").
2. **Test Year.** The Parties agree that the proper test year for establishing rates is the twelve-month period ended March 31, 2014.
3. **Distribution Revenue Requirement and Rate Adjustment.** In the interest of achieving a satisfactory resolution of the issues to be decided in this proceeding, the Parties agree to an addition to annual distribution revenues of \$13.0 million, which equates to an increase in overall revenues of 5.05%, for service rendered on and after the Effective Date, as defined in Paragraph 1 of the Rate Case Stipulation. The Parties agree that, based on adjusted test year actual data, RECO's rates will be just and reasonable after they are adjusted to generate an additional \$13.0 million in annual distribution revenues, and will provide a level of revenues necessary so that the Company can continue to provide safe, adequate and proper service.
4. **Rate Base.** The rate base is \$172,186,000. The rate base includes \$5,600,555 in capital Major Storm Costs pursuant to the Storm Costs Order. The rate base also includes \$9,477,098 of capitalized smart grid costs for the Base Electric Delivery System Project, which the Parties agree are reasonable, prudent and incremental costs.
5. **Rate of Return.** The Parties agree that an appropriate return on common equity is 9.75%. The appropriate overall rate of return for this settlement is 7.83%, based upon a return on

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<sup>4</sup>Although described at some length in this Order, should there be any conflict between this summary and the stipulation, the terms of the stipulation control, subject to the findings and conclusions in this Order.

common equity of 9.75%. The Parties agree that the capital structure for purposes of the stipulation is 49.65% of long-term debt and 50.35% common equity. The capitalization producing the overall rate of return is set forth in Schedule A attached to the Rate Case Stipulation.

6. **Determination of Revenue Requirement.** The determination of the stipulated revenue requirement is reflected on Schedule A attached to the Rate Case Stipulation. Settlement adjustments to the Company's 12+0 Update filing to achieve the stipulated revenue requirement also are set forth in Schedule A of the Rate Case Stipulation.
7. **Rates.** The Parties agree that Schedule B of the Rate Case Stipulation summarizes the revised electric distribution rates that shall be implemented on the Effective Date and that shall be included in revised Tariff leaves that shall become effective on the Effective Date. The revised rates set forth in Schedule B of the Rate Case Stipulation implement the terms of the stipulation regarding revenue requirements and rates. The Parties agree that Schedule C, attached to the Rate Case Stipulation, demonstrates that the rates to be implemented by RECO on the Effective Date are designed to produce an additional \$13.0 million in revenues. The rates shown in Schedule B of the Rate Case Stipulation were designed to address the surplus and deficiency indications from the Company sponsored Embedded Cost of Service Study while limiting the class-specific distribution increase percentages to no more than 1.25 times the overall distribution increase percentage or no less than 0 times the overall distribution increase, with the exception of Service Classification ("SC") No. 6 Private Overhead Lighting Service – Dusk to Dawn, which was limited to no more than 1.5 times the overall distribution increase percentage. Before applying any revenue increase, revenue neutral changes were proposed in SC Nos. 1 and 2 as described in Paragraph 15 to the Rate Case Stipulation. Thereafter, proposed distribution rates within each SC were developed by applying uniform percentage increases, specific to each SC, to all distribution rates, including customer charges, with the exception of SC Nos. 1 and 5 where customer charges were first increased to \$4.15, excluding sales and use tax (or \$4.44 including sales and use tax), before applying the remaining SC specific revenue increases on a uniform percentage basis. As a result of the stipulation, a typical residential customer using 925 kWh per month will receive an annualized monthly increase of approximately \$10.91 or 6.6% on a total revenue basis from \$164.34 to \$175.25.
8. **Depreciation Rates.** RECO will implement the depreciation lives, life tables, rates and amortizations for electric distribution and general plant as shown on Schedule D of the Rate Case Stipulation
9. **Net Salvage.** The Parties agree that from May 1, 2010 through December 2013, RECO incurred actual negative net salvage costs (i.e., gross salvage less gross removal costs) of \$4,469,947, which exceeded the Company's net salvage allowance for that period by \$2,852,459 (the "Net Salvage Deficiency") RECO shall recover the Net Salvage Deficiency in rates over a three-year amortization period such that RECO annually shall recover \$950,820 of the Net Salvage Deficiency, plus an additional going-forward annual net salvage recovery allowance of \$820,809.
10. **Storm Reserve.** From May 1, 2010 through March 31, 2014, RECO deferred extraordinary storm damage costs of approximately \$25,652,364 (the "Storm Reserve Deficiency") above the recoveries from the Company's annual storm reserve allowance of \$375,799 for that period. The Storm Reserve Deficiency includes \$25,645,780 in deferred O&M Major Storm Costs that were deemed reasonable, prudent and authorized

for recovery in base rates in the Storm Costs Order. The Parties agree that RECO shall recover the Storm Reserve Deficiency in rates over a four-year amortization period such that RECO annually shall recover \$6,413,091 of the Storm Reserve Deficiency. The Parties agree that the rates established in the Rate Case Stipulation include an annual funding recovery allowance for the storm reserve of \$750,000.<sup>5</sup>

11. **Deferred Costs and Credits- Previously Authorized Amortizations.** The deferred costs, for which rate recovery was initially authorized in BPU Docket No. ER02100724 (i.e., Competitive Services Audit, Management Audit Costs, System Reliability Audit, and Ramapo Property Tax refunds) and continued in Docket No. ER09080668, have a collective unamortized credit balance of \$7,584 as of July 31, 2014. This amount will be amortized and refunded in rates over three years at the rate of \$2,528 per year.

Deferred pension costs for which rate recovery was initially authorized in BPU Docket No. ER02100724 and continued in Docket No. ER09080668 have an unamortized credit balance of \$44,127 which will be amortized and refunded in rates over three years at the rate of \$14,709 per year. Deferred Statement of Financial Accounting Standards ("SFAS") 106 other post-employment benefits ("OPEB") costs for which rate recovery was initially authorized in BPU Docket No. ER02100724 and continued in Docket No. ER09080668 have an unamortized credit balance of \$2,037,746 as of July 31, 2014, which will be amortized and refunded in rates over three years at the rate of \$679,249 per year. Deferred OPEB costs for which rate recovery was initially authorized in BPU Docket No. ER02100724 and continued in Docket No. ER09080668 have an unamortized credit balance of \$9,788, which will be amortized and refunded in rates over three years at the rate of \$3,263 per year.

Deferred over-capitalization installation costs for transformers for which the refund was authorized in BPU Docket No. ER09080668 have an unamortized deferred balance of \$327,970, as of July 31, 2014. These amounts will be amortized and recovered in rates over three years at the rate of \$109,323 per year.

The deferred depreciation reserve excess for which rate refunds were initially authorized in BPU Docket No. ER02100724 and continued in Docket No. ER09080668 has an unamortized debit balance of \$1,144,000 as of July 31, 2014, which will be amortized and recovered in rates over three years at the rate of \$381,333 per year. The deferred net salvage excess for which rate refunds were initially authorized in BPU Docket No. ER02100724 and continued in Docket No. ER09080668 has an unamortized debit balance of \$1,030,000 as of July 31, 2014, which will be amortized and recovered in rates over three years at the rate of \$343,333 per year. The deferred net salvage under-recovery for which rate recoveries were initially authorized in BPU Docket No. ER09080668 has an unamortized credit balance of \$147,385 as of July 31, 2014, which will be amortized and refunded in rates over three years at the rate of \$49,128 per year.

12. **Deferred Costs-New Amortizations.** The Parties agree that the Company will be allowed to recover \$173,281 of rate case costs, which are to be amortized over three years at a rate of \$57,760 per year. This represents a 50/50 sharing of the rate case costs in this Base Rate Case between customers and the Company's shareholders.

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<sup>5</sup> Storm costs for each individual storm qualify for deferred accounting if the storm caused electric disruption for 10% or more of customers in an operating area or if customers are without power for more than 24 hours and incremental costs incurred for each individual storm exceed \$130,000.

The Parties agree that the Company will be allowed to recover in rates \$17,719 of Long-Term Capacity Agreement Pilot Program ("LCAPP") costs in this Base Rate Case. These LCAPP costs will be amortized and recovered in rates over three years at a rate of \$5,906 per year.

The Parties have agreed to the recovery in rates of smart grid costs, storm costs, and salvage costs through amortizations and funding allowances in this Base Rate Case as set forth in other paragraphs of this Stipulation.

13. **Smart Grid.** The Company has completed the Smart Grid Base Electric Delivery System Project approved in the Smart Grid Order. The Company recovered a portion of the costs for the Base Electric Delivery System Project through the Smart Grid Surcharge ("SGS") since it became effective on June 1, 2010 ("Recovered Smart Grid Costs"). The SGS has an under-recovered and deferred balance of \$1,189,753 of costs for the Base Electric Delivery System Project ("Deferred Smart Grid Costs") as of July 31, 2014. The Company also incurred \$9,477,099 in capital costs for the Base Electric Delivery System Project ("Smart Grid Capital Costs") that were included in the Company's Electric Plant in Service balance in the (12+0) Update. The Parties agree that the Recovered Smart Grid Costs, the Deferred Smart Grid Costs and the Smart Grid Capital Costs are reasonable, prudent and incremental, and that the Smart Grid Capital Costs are costs of used and useful utility plant that were not previously included in rate base. The Company shall recover in base rates the \$1,189,753 of Deferred Smart Grid Surcharge Costs, which will be amortized and recovered over three years at a rate of \$396,584 per year. The Smart Grid Capital Costs of \$9,477,099 shall be rolled into and included in rate base as set forth in Paragraph 4 of the Rate Case Stipulation.

The SGS shall terminate on the Effective Date. The Company agrees to withdraw, and by execution of this Stipulation provides notice to the Board of its withdrawal of, the SGS Annual Filings dated March 2, 2012, March 1, 2013 and February 28, 2014 for adjustment of the SGS in BPU Docket Nos. EO12030201, ER13030177, and ER14030210 ("RECO SGS Annual Filing Dockets"). The Parties agree that the Board, by adoption of the Rate Case Stipulation, should accept the withdrawal of the Company's SGS Annual Filings and close the RECO SGS Annual Filing Dockets.

14. **Tariff Changes.** The Parties agree that it is appropriate for the Company to increase the SC Nos. 1 and 5 customer charge to \$4.44, to increase the existing re-inspection fee to \$68.00, to establish a new charge of \$15.00 to recover the cost of customer or third party supplier requests for historic customer usage information in excess of twenty-four months old, to close the water and/or space heating special provisions contained in SC Nos. 1, 2, and 7 to new customers, to add seven new fixtures and associated charges to the Company's lighting service classifications, to modify the Net Metering Rider to reflect the most current version of N.J.A.C. 14:8-4, to reflect the changes set forth in Paragraph 15 of the Rate Case Stipulation, and to make certain other non-revenue producing changes, and that all of the foregoing changes described in this Paragraph 14 of the Rate Case Stipulation will be reflected in the compliance Tariff to be filed pursuant to Paragraph 16 of the Rate Case Stipulation.
15. **Changes to Block Rate Structures of SC Nos. 1 and 2.** The Parties agree that it is appropriate for the Company to change the block rate structures of SC Nos. 1 and 2 by: (a) reducing, for the water heating summer rate, the space heating winter rate, and the water heating winter rate, the level of the discount by 50% from the current discount level in SC No. 1; (b) changing the SC No. 1 block limit from 250 kWh to 600 kWh effective

June 1, 2015; (c) transitioning the usage rate blocks for SC Nos. 2 – Primary and Non-Demand Billed to a single flat per kWh change, while reallocating revenue from usage to demand charges for SC No. 2 – Primary; and (d) eliminating 33% of the current usage rate differentials and eliminating a corresponding portion of demand rate differentials for SC No. 2 – Secondary.

16. **Compliance Tariff Filing.** Upon approval of the Rate Case Stipulation by the Board and the Board's issuance of a written Order, the Company will file, for Staff's and Rate Counsel's review, a compliance Tariff filing showing the issued and effective dates to implement the terms of this Stipulation and the Board's written Order, and the revised Tariff leaves shall become effective on the Effective Date. The Company will make an additional tariff filing prior to June 1, 2015 to implement the SC No. 1 block limit change described in clause (b) of Paragraph 15 and the Tariff leaves in that filing will have an effective date of June 1, 2015. The Board's approval of this Stipulation shall cancel the proposed Tariff leaves that were filed by the Company with its Petition.
17. **Schedules.** All schedules referenced in and attached to the Rate Case Stipulation are incorporated by reference herein as if set forth in the body of the Stipulation.
18. **Storm Hardening Surcharge.** RECO's Petition (and included exhibits and testimony) proposed various incremental storm hardening and resiliency proposals and to establish a storm hardening surcharge at an initial level of 0.0 cents/kWh. By letter from Board Staff to the Office of Administrative Law dated February 26, 2014, the Board requested that the OAL return to the Board the portions of RECO's 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 proceedings 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"). By letter dated March 18, 2014, RECO identified and filed directly with the Board those portions of its Petition and supporting exhibits and testimony from the Base Rate Case relating to its proposed storm hardening measures and associated costs ("RECO Storm Hardening Surcharge Filing") in the Generic Storm Mitigation Proceeding and in RECO's own sub-proceeding 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"). The Rate Case Stipulation does not address the proposals in RECO's Storm Hardening Surcharge Filing, which will be addressed by the Parties in the RECO Storm Hardening Proceeding now pending at the Board. The Parties may use discovery responses from the Base Rate Case in the RECO Storm Hardening Proceeding to the extent they are related to the materials in the RECO Storm Hardening Surcharge filing.
19. The Parties agree that the Company shall make a base rate filing on or before July 31, 2018.
20. The Company agrees to withdraw its request for a Phase II proceeding as referenced in the direct testimony of Wayne A. Banker (p. 10, lines 14 to 23).

By letter dated July 3, 2014, RECO notified ALJ Jones of a typographical error in paragraph 16 to the Rate Case Stipulation on consent of the Parties.<sup>6</sup>

On July 10, 2014, ALJ Jones issued an Initial Decision approving the Stipulation pursuant to N.J.A.C. 1:1-19.1, finding that the settlement is voluntary, consistent with the law, and fully disposes of all issues in controversy.

### **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 Board recognizes that the parties worked diligently to negotiate a compromise that attempts to meet the needs of as many stakeholders as possible. The Board further recognizes that the Stipulation represents a balanced solution considering the many complex issues that were addressed during the proceeding. Therefore, based on the Board's review and consideration of the record in this proceeding including the Rate Case Stipulation and the Storm Costs Order, the petition and testimony, the Board **HEREBY FINDS** the Rate Case Stipulation to be reasonable, in the public interest and in accordance with the law.

The May 21, 2014 Storm Costs Order approved a stipulation between the Company, Board Staff and Rate Counsel. The Board specifically found that the 2011 and 2012 Major Storm Costs may be recovered from ratepayers. The Board therefore returned the 2011 and 2012 Major Storm Costs to the Base Rate Case with the exact manner of recovery to be decided within the Base Rate Case. Based on the Board's review of the record and Rate Case Stipulation, the Board **FURTHER FINDS** the manner in which the Major Storm Costs will be recovered within base rates, over a four-year amortization period such that RECO annually shall recover \$6,413,091 of the Storm Reserve Deficiency, is reasonable.

Accordingly the Board **FINDS** that the revenue requirement increases are fair and reasonable and reflect the increase in capital investments for infrastructure and increases in other costs and expenses that RECO is incurring to provide safe, adequate and reliable service, including costs related to Major Storm Events in 2011 and 2012. The Board notes that the stipulated increase in electric distribution rates of \$13.0 million, inclusive of Major Storm Event costs, but exclusive of SUT, is substantially less than the \$23.8 million sought by the Company in its (12+0) update to the petition.

As requested in the Rate Case Stipulation, the Board **HEREBY DIRECTS** that the RECO SGS Annual Filing Dockets shall be closed.

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

At the time the Company files its next electric base rate case petition, the Board **DIRECTS** the Company to provide to the Parties a cost of service study ("COSS") using the Average and Peak methodology as filed in this Base Rate Case pursuant to the method described in

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<sup>6</sup> The original stipulation indicated that the change in the rate block structure for SC No. 1 would take effect on June 15, 2015. The July 3, 2014 letter corrected this date to June 1, 2015.

paragraph 19 of the Stipulation in RECO's 2006 base rate case in Docket No. ER06060483<sup>7</sup>. ("A&P COSS") This COSS will be in addition to any other COSS methodology filed by the Company or any other intervening party in RECO's next base rate case without endorsing that methodology or supporting the A&P COSS results or any rate design based thereon. The A&P COSS will provide an alternative study for the Board and Parties to consider in RECO's next base rate case.

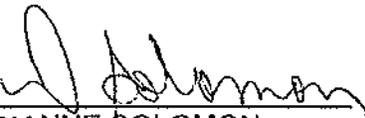
In accordance with N.J.S.A. 48:2-40, the rates approved by this Order will become effective on August 1, 2014. As a result of these changes, the overall annual average monthly bill impact for a typical residential customer using 925 kWh per month will be an increase of \$10.91 or 6.6% percent on a total revenue basis.

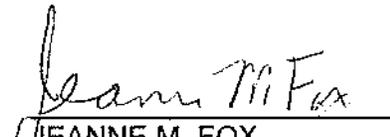
The Company is **HEREBY DIRECTED** to file the appropriate tariff pages that conform to the terms and conditions of this Order within five (5) business days from the effective date of this Order.

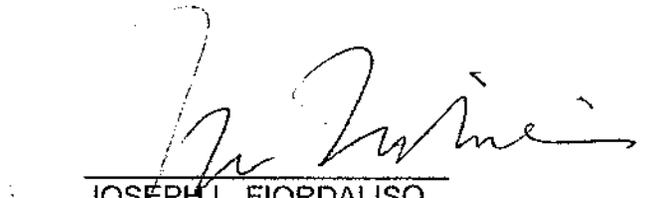
The Company's base rates will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

DATED: 7/23/14

BOARD OF PUBLIC UTILITIES  
BY:

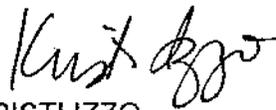
  
DIANNE SOLOMON  
PRESIDENT

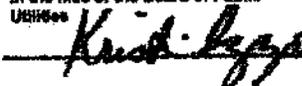
  
JEANNE M. FOX  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
MARYANNA 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  


<sup>7</sup> I/M/O the Verified Petition of Rockland Electric Company for Approval of Changes in Electric Rates, its tariff for Electric Services, its Depreciation Rates, and for other Relief, Docket No. ER06060483 (March 22, 2007).

IN THE MATTER OF 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 & OAL DOCKET NO. PUC 17625-2013N

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STATE OF NEW JERSEY  
OFFICE OF ADMINISTRATIVE LAW

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NJ CPU

CASE MANAGEMENT  
INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 17625-13

AGENCY DKT. NO. ER13111135

STATE OF NEW JERSEY  
OFFICE OF ADMINISTRATIVE LAW  
JUL 3 2014

**IN THE MATTER OF THE VERIFIED PETITION  
OF ROCKLAND ELECTRIC COMPANY FOR APPROVAL OF  
CHANGES IN ELECTRIC RATES, ITS TARIFF FOR  
ELECTRIC SERVICES, AND ITS DEPRECIATION  
RATES; TERMINATION OF THE SMART GRID SURCHARGE;  
ESTABLISHMENT OF A STORM HARDENING SURCHARGE;  
AND FOR OTHER RELIEF**

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**James C. Meyer, Esq.**, Riker Danzig Scherer Hyland & Perritt, LLP, and  
**John L. Carley, Esq.**, Assistant General Counsel, for the Petitioner,  
Consolidated Edison Co. of New York, Inc.

**Brian O. Lipman, Esq.**, Litigation Manager and **Christine M. Juarez, Esq.**,  
Assistant Deputy Rate Counsel, Division of Rate Counsel  
(**Stefanie A. Brand, Esq.**, Director)

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

Record Closed: July 3, 2014

Decided: July 10, 2014

Before **IRENE JONES, ALJ**

**STATEMENT OF THE CASE:**

On November 27, 2013, Petitioner, Rockland Electric Company ("Petitioner" or "Company") filed a Verified Petition with the State Board of Public Utilities seeking to increase its base rates by approximately \$19.259 million or 7.6%. Additionally, the Company sought approval of other changes to its rates and tariffs as set forth in the petition. On April 23, 2014, the Company updated its filing on a 12 + 1 basis and projected a revenue deficiency of \$23.8 million or 9.3% on a total revenue basis.

On or about December 9, 2013, the Board transmitted the matter to the Office of Administrative Law for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to 15 and N.J.S.A. 52:14F-1 to 13. A prehearing conference was held on February 26, 2014 wherein a procedural schedule was established. Present at the prehearing conference was the Company, the Board Staff and the Division of Rate Counsel. Public hearings were held in the Company's service territory on April 30, 2014.

Prior to the start of the evidentiary hearings, the parties exchanged extensive discovery and engaged in numerous discovery and settlement conferences. On June 31 and July 3, 2014, the parties filed a Stipulation of Settlement with the undersigned.

I have reviewed the record and the terms of the Stipulation of Settlement and I **FIND:**

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or the signatures of their representatives.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

Therefore, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and are hereby **CONCLUDED**

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

July 10, 2014

\_\_\_\_\_  
DATE

  
\_\_\_\_\_  
IRENE JONES, ALJ

Date Received at Agency: \_\_\_\_\_

Date Mailed to Parties: \_\_\_\_\_

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STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES  
OFFICE OF ADMINISTRATIVE LAW

RECEIVED

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I/M/O THE VERIFIED PETITION OF :  
ROCKLAND ELECTRIC COMPANY FOR :  
APPROVAL OF CHANGES IN ELECTRIC : BPU Docket No. ER13111135  
RATES, ITS TARIFF FOR ELECTRIC : OAL Docket No. PUC 17625-2013N  
SERVICE, AND ITS DEPRECIATION :  
RATES; TERMINATION OF THE SMART :  
GRID SURCHARGE; AND FOR OTHER :  
RELIEF :

STATE OF NEW JERSEY  
OFFICE OF ADMINISTRATIVE LAW

**STIPULATION OF SETTLEMENT**

**APPEARANCES:**

James C. Meyer, Esq., Riker Danzig Scherer Hyland & Perretti, LLP, and John L. Carley, Esq., Assistant General Counsel, for the Petitioner, Rockland Electric Company

Brian O. Lipman, Esq., Litigation Manager, and Christinae M. Juarez, Esq., Assistant Deputy Rate Counsel, Division of Rate Counsel (Stefanie A. Brand, Esq., Director)

Alex Moreau, Veronica Beke, and Carolyn McIntosh, 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 OF SETTLEMENT ("Stipulation" or "Settlement") is made as of June 30, 2014 by and among Rockland Electric Company ("RECO" or the "Company"), the New Jersey Division of Rate Counsel ("Rate Counsel") and Staff of the Board of Public Utilities ("Staff") (referred to herein individually as a "Party" and collectively as the "Parties").

By Order Adopting Stipulation dated April 5, 2010 ("Smart Grid Order") in Docket No. ER09060459 ("Smart Grid Proceeding")<sup>1</sup>, the Board of Public Utilities ("Board") approved a Stipulation between the Company, Rate Counsel, and Staff ("Smart Grid

<sup>1</sup> *I/M/O the Petition of Rockland Electric Company Requesting Support for a Smart Grid Pilot Proposal*, BPU Docket No. ER09060459.

Stipulation”) providing for the implementation of a smart grid pilot program known alternatively as the Accepted Smart Grid Infrastructure Grant (“SGIG”) Program or Base Electric Delivery System Project with a total cost of approximately \$19.4 million. The Smart Grid Order provided that RECO’s customers would fund the revenue requirement associated with 50% of up to \$19.4 million of prudent, reasonable and incremental costs for the Base Electric Delivery System Project, subject to the terms of the Smart Grid Stipulation. The Smart Grid Order also provided for the establishment of a separate Smart Grid Surcharge (“SGS”), a cents per kilowatt hour surcharge, to provide cost recovery, on an interim basis, subject to refund, of a portion of costs of the Base Electric Delivery System Project, subject to prudence review in the Company’s next base rate case filed following the adoption of the Smart Grid Stipulation. Pursuant to the Smart Grid Order, the Company filed with the Board (with copies to Staff and Rate Counsel) annual petitions to adjust its SGS (“SGS Annual Filings”) on March 1, 2011, March 2, 2012, March 1, 2013 and February 28, 2014, and filed Quarterly Reports with the Board and Rate Counsel reflecting capital expenditures and other information. The Smart Grid Order required the Company to file its next base rate case following that Order, i.e., this Base Rate Case, on or prior to December 1, 2013. In the Smart Grid Order, the Board specified that the record of the Smart Grid Proceeding, including the petition, modified petition, Smart Grid Stipulation and all discovery, shall be fully incorporated and considered in that next base rate case, i.e., this Base Rate Case.

On March 20, 2013, the Board issued an Order establishing a general proceeding in BPU Docket No. AX13030196 to examine the prudence of costs incurred by New Jersey utilities in response to major storm events in 2011 and 2012. As required by the March 20, 2013 Order, RECO filed a Report dated July 1, 2013 detailing its unreimbursed major storm costs. On

September 30, 2013, RECO filed a Verified Petition ("Storm Costs Petition") with supporting testimony, exhibits and appendices in the generic proceeding and RECO specific sub-docket ("RECO Storm Costs Case")<sup>2</sup>. The Storm Costs Petition, updated on March 28, 2014, requested that the Board issue an Order finding that the unreimbursed, uninsured incremental repair, recovery and restoration costs incurred by RECO associated with Hurricane Irene in 2011, the October 2011 Snow Storm, and Superstorm Sandy in 2012 (collectively, the "Major Storm Events") were reasonably and prudently incurred, and authorizing RECO to recover its deferred operation and maintenance ("O&M") costs and capital costs from the Major Storm Events ("Major Storm Costs") from customers in rates.

On November 27, 2013, RECO filed a Verified Petition ("Petition") in the base rate proceeding captioned above in BPU Docket No. ER13111135 ("Base Rate Case"). The Petition requested, inter alia, an increase in RECO's base electric distribution rates and charges, changes to certain electric and general plant depreciation rates, various tariff changes, termination of the SGS, and other relief. The Company's filing consisted of the Petition, Exhibits to the Petition, various schedules, and pre-filed direct testimony. The Petition stated that the increased distribution rates and charges in the Company's Proposed Tariff were designed to produce additional revenues of \$19.259 million, or a 7.6% increase based on total revenues calculated using current rates and the Company's projected sales for the twelve-month test year period ended March 31, 2014, subject to increase or decrease upon the Company's filing of updated information.

The Company's Petition was transmitted to the Office of Administrative Law ("OAL") for evidentiary hearings and assigned to the Honorable Irene Jones, Administrative

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<sup>2</sup> *In the Matter of the Board's Review of the Prudence of the Costs Incurred By Rockland Electric Company In Response to Major Storm Events in 2011 and 2012*, BPU Docket Nos. AX13030196, EO13070611

Law Judge ("ALJ"). ALJ Jones held a Prehearing Conference on February 26, 2014. ALJ Jones issued a prehearing order dated March 20, 2014, establishing a procedural schedule including evidentiary hearings on June 23 through June 27, 2014, and July 8 and 11, 2014. No motions to intervene were filed. The Company, Staff and Rate Counsel are therefore the only parties to the Base Rate Case.

On April 23, 2014, the Company filed and served upon the Parties an update to its Petition in the Base Rate Case reflecting twelve months of actual information through March 31, 2014, as well as certain adjustments relating to decreased sales ("12+0 Update"). The 12+0 Update sets forth a revenue deficiency of \$23.8 million<sup>3</sup>, or a 9.3% increase on a total revenue basis. The 12+0 Update included the Company's updated Major Storm Costs from RECO's Storm Costs Case.

Rate Counsel filed direct testimony on May 9, 2014 in the Base Rate Case, and RECO filed rebuttal testimony on June 2, 2014 in the Base Rate Case.

On May 21, 2014, the Board issued its Decision and Order Approving Stipulation in the Storm Costs Proceeding ("Storm Costs Order"). The Storm Costs Order determined that \$5,600,555 in capital Major Storm Costs and \$25,645,780 of deferred O&M Major Storm Costs are deemed reasonable, prudent and eligible and appropriate for inclusion in, and recovery through RECO's base rates. The Board transmitted the capital and deferred O&M Major Storm Costs to the OAL for inclusion in the Base Rate Case and determined (p.2) that they "shall be authorized for recovery in and through the revenue requirements and base rates that will be set at the conclusion of the Base Rate Case." The Storm Costs Order provides that the capital Major Storm Cost of \$5,600,555 shall be included in rate base in the Base Rate Case. The Storm Costs

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<sup>3</sup> After the filing of the 12+0 Update the Company discovered an error and revised this revenue deficiency figure to \$23.3 million, which is a 9.1% increase on a total revenue basis. Schedule A, Page 1 of 3, includes the revised figure of \$23.3 million.

Order further provides that the deferred O&M Major Storm Costs of \$25,645,780 shall be amortized over a period to be determined in the Base Rate Case.

During the period between the filing of the Company's Petition and this Stipulation, Rate Counsel, Staff, and the Company engaged in extensive discovery. In total, the Company responded to 591 formal discovery requests (not including additional subparts or responses to informal information requests) from Rate Counsel and Staff, and Rate Counsel responded to 92 formal discovery requests (not including additional subparts) from the Company.

After proper notice to Municipal Clerks and County Executive Directors and public advertisement in a newspaper with circulation in the Company's service territory, public hearings on RECO's proposed distribution base rate increase were held on April 30, 2014 at 3:30 and 6:30 p.m., in Mahwah, New Jersey. Four members of the public attended the public hearings and placed their comments on the record.

The Parties held in-person settlement conferences on April 29, May 12, and June 4, 2014.

On June 6, 2014, ALJ Jones was advised that the Parties had reached a settlement in principle and would be submitting a Stipulation for her consideration. Judge Jones subsequently suspended the remaining discovery dates.

The Parties have reviewed the Petition and updates, discovery, the detailed pre-filed testimony, and information exchanged during the period of settlement discussions. As a result, the Parties have agreed to reasonably, fully and finally resolve all factual and legal issues in this matter by Stipulation of Settlement. In consideration of the recitals and mutual promises and covenants set forth herein, the Parties, DO HEREBY STIPULATE AND AGREE:

1. Effective Date. The Parties agree that the Board should issue a written Order approving this Stipulation so that revenue recovery and rates set forth herein shall become effective for service rendered on and after August 1, 2014 (the "Effective Date").

2. Test Year. The Parties agree that the proper test year for establishing rates is the twelve-month period ended March 31, 2014.

3. Distribution Revenue Requirement and Rate Adjustment. In the interest of achieving a satisfactory resolution of the issues to be decided in this proceeding, the Parties agree to an addition to annual distribution revenues of \$13.0 million, which equates to an increase in overall revenues of 5.05%, for service rendered on and after the Effective Date, as defined in Paragraph 1 above. The Parties agree that, based on adjusted test year actual data, RECO's rates will be just and reasonable after they are adjusted to generate an additional \$13.0 million in annual distribution revenues, and will provide a level of revenues necessary so that the Company can continue to provide safe, adequate and proper service.

4. Rate Base. The rate base is \$172,186,000. The rate base includes \$5,600,555 in capital Major Storm Costs pursuant to the Storm Costs Order. The rate base also includes \$9,477,098 of capitalized smart grid costs for the Base Electric Delivery System Project, which the Parties agree are reasonable, prudent and incremental costs.

5. Rate of Return. The Parties agree that an appropriate return on common equity for this Settlement is 9.75%. The appropriate overall rate of return for this Settlement is 7.83%, based upon a return on common equity of 9.75%. The Parties agree that the capital structure for this Settlement is 49.65% of long-term debt and 50.35% common equity. The capitalization producing the overall rate of return is set forth in Schedule A attached hereto.

6. Determination of Revenue Requirement. The determination of the stipulated revenue requirement is reflected on attached Schedule A. Settlement adjustments to the Company's 12+0 Update filing to achieve the stipulated revenue requirement also are set forth in Schedule A.

7. Rates. The Parties agree that Schedule B summarizes the revised electric distribution rates that shall be implemented on the Effective Date and that shall be included in revised Tariff leaves that shall become effective on the Effective Date. The revised rates set forth in Schedule B implement the terms of this Stipulation regarding revenue requirements and rates. The Parties agree that Schedule C, attached hereto, demonstrates that the rates to be implemented by RECO on the Effective Date are designed to produce an additional \$13.0 million in revenues. The rates shown in Schedule B were designed to address the surplus and deficiency indications from the Company sponsored Embedded Cost of Service Study while limiting the class-specific distribution increase percentages to no more than 1.25 times the overall distribution increase percentage or no less than 0 times the overall distribution increase, with the exception of Service Classification ("SC") No. 6 Private Overhead Lighting Service – Dusk to Dawn, which was limited to no more than 1.5 times the overall distribution increase percentage. Before applying any revenue increase, revenue neutral changes were proposed in SC Nos. 1 and 2 as described in Paragraph 15. Thereafter, proposed distribution rates within each SC were developed by applying uniform percentage increases, specific to each SC, to all distribution rates, including customer charges, with the exception of SC Nos. 1 and 5 where customer charges were first increased to \$4.15, excluding sales and use tax (or \$4.44 including sales and use tax), before applying the remaining SC specific revenue increases on a uniform percentage basis. As a result of this Stipulation, a typical residential customer using 925 kWh

per month will receive an annualized monthly increase of approximately \$10.91 or 6.5% on a total revenue basis from \$164.34 to \$175.25.

8. Depreciation Rates. RECO will implement the depreciation rates, life tables, rates and amortizations for electric distribution and general plant as shown on Schedule D.

9. Net Salvage. The Parties agree that from May 1, 2010 through December 2013, RECO incurred actual negative net salvage costs (i.e., gross salvage less gross removal costs) of \$4,469,947, which exceeded by \$2,852,459 (the "Net Salvage Deficiency") the Company's net salvage allowance for that period of \$1,617,488 (based on an annual allowance of \$441,133). RECO shall recover the Net Salvage Deficiency in rates over a three-year amortization period such that RECO annually shall recover \$950,820 of the Net Salvage Deficiency. The Parties also agree that the rates established in this Stipulation reflect an additional going-forward annual net salvage recovery allowance of \$820,809.

10. Storm Reserve. From May 1, 2010 through March 31, 2014, RECO deferred extraordinary storm damage costs of approximately \$25,652,364 (the "Storm Reserve Deficiency") above the recoveries from the Company's annual storm reserve allowance of \$375,799 for that period. The Storm Reserve Deficiency includes \$25,645,780 in deferred O&M Major Storm Costs that were deemed reasonable, prudent and authorized for recovery in base rates in the Storm Costs Order. The Parties agree that RECO shall recover the Storm Reserve Deficiency in rates over a four-year amortization period such that RECO annually shall recover \$6,413,091 of the Storm Reserve Deficiency. The Parties agree that the rates established

in this Stipulation include an annual funding recovery allowance for the storm reserve of \$750,000.<sup>4</sup>

11. Deferred Costs and Credits- Previously Authorized Amortizations. The deferred costs, for which rate recovery was initially authorized in BPU Docket No. ER02100724 (i.e., Competitive Services Audit, Management Audit Costs, System Reliability Audit, and Ramapo Property Tax refunds) and continued in Docket No. ER09080668, have a collective unamortized credit balance of \$7,584 as of July 31, 2014. This amount will be amortized and refunded in rates over three years at the rate of \$2,528 per year.

Deferred pension costs for which rate recovery was initially authorized in BPU Docket No. ER02100724 and continued in Docket No. ER09080668 have an unamortized credit balance of \$44,127 which will be amortized and refunded in rates over three years at the rate of \$14,709 per year. Deferred SFAS 106 other post-employment benefits ("OPEB") costs for which rate recovery was initially authorized in BPU Docket No. ER02100724 and continued in Docket No. ER09080668 have an unamortized credit balance of \$2,037,746 as of July 31, 2014, which will be amortized and refunded in rates over three years at the rate of \$679,249 per year. Deferred OPEB costs for which rate recovery was initially authorized in BPU Docket No. ER02100724 and continued in Docket No. ER09080668 have an unamortized credit balance of \$9,788, which will be amortized and refunded in rates over three years at the rate of \$3,263 per year.

Deferred over-capitalization installation costs for transformers for which the refund was authorized in BPU Docket No. ER09080668 have an unamortized deferred balance

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<sup>4</sup> Storm costs for each individual storm qualify for deferred accounting if the storm caused electric disruption for 10% or more of customers in an operating area or if customers are without power for more than 24 hours and incremental costs incurred for each individual storm exceed \$130,000.

of \$327,970, as of July 31, 2014. These amounts will be amortized and recovered in rates over three years at the rate of \$109,323 per year.

The deferred depreciation reserve excess for which rate refunds were initially authorized in BPU Docket No. ER02100724 and continued in Docket No. ER09080668 has an unamortized debit balance of \$1,144,000 as of July 31, 2014, which will be amortized and recovered in rates over three years at the rate of \$381,333 per year. The deferred net salvage excess for which rate refunds were initially authorized in BPU Docket No. ER02100724 and continued in Docket No. ER09080668 has an unamortized debit balance of \$1,030,000 as of July 31, 2014, which will be amortized and recovered in rates over three years at the rate of \$343,333 per year. The deferred net salvage underrecovery for which rate recoveries were initially authorized in BPU Docket No. ER09080668 has an unamortized credit balance of \$147,385 as of July 31, 2014, which will be amortized and refunded in rates over three years at the rate of \$49,128 per year.

12. Deferred Costs-New Amortizations. The Parties agree that the Company will be allowed to recover in rates \$173,281 of rate case costs in this Base Rate Case. These rate case costs will be amortized and recovered in rates over three years at a rate of \$57,760 per year. This represents a 50/50 sharing of the rate case costs in this Base Rate Case between customers and the Company's shareholders.

The Parties agree that the Company will be allowed to recover in rates \$17,719 of Long-Term Capacity Agreement Pilot Program ("LCAPP") costs in this Base Rate Case. These LCAPP costs will be amortized and recovered in rates over three years at a rate of \$5,906 per year.

The Parties have agreed to the recovery in rates of smart grid costs, storm costs, and salvage costs through amortizations and funding allowances in this Base Rate Case as set forth in other paragraphs of this Stipulation.

13. Smart Grid. The Company has completed the Smart Grid Base Electric Delivery System Project approved in the Smart Grid Order. The Company recovered a portion of the costs for the Base Electric Delivery System Project through the SGS since it became effective on June 1, 2010 ("Recovered Smart Grid Costs"). The SGS has an under-recovered and deferred balance of \$1,189,753 of costs for the Base Electric Delivery System Project ("Deferred Smart Grid Costs") as of July 31, 2014. The Company also incurred \$9,477,099 in capital costs for the Base Electric Delivery System Project ("Smart Grid Capital Costs") that were included in the Company's Electric Plant in Service balance in the 12+0 Update. The Parties agree that the Recovered Smart Grid Costs, the Deferred Smart Grid Costs and the Smart Grid Capital Costs are reasonable, prudent and incremental, and that the Smart Grid Capital Costs are costs of used and useful utility plant and were not previously included in rate base. The Company shall recover in base rates the \$1,189,753 of Deferred Smart Grid Surcharge Costs, which will be amortized and recovered over three years at a rate of \$396,584 per year. The Smart Grid Capital Costs of \$9,477,099 shall be rolled into and included in rate base as set forth in Paragraph 4 above.

The SGS shall terminate on the Effective Date. The Company agrees to withdraw, and by execution of this Stipulation provides notice to the Board of its withdrawal of, the SGS Annual Filings dated March 2, 2012, March 1, 2013 and February 28, 2014 for adjustment of the SGS in BPU Docket Nos. EO12030201, ER13030177, and ER14030210 ("RECO SGS Annual Filing Dockets"). The Parties agree that the Board, by adoption of this Stipulation, should accept

the withdrawal of the Company's SGS Annual Filings and close the RECO SGS Annual Filing Dockets.

14. Tariff Changes. The Parties agree that it is appropriate for the Company to increase the SC Nos. 1 and 5 customer charge to \$4.44, to increase the existing re-inspection fee to \$68.00, to establish a new charge of \$15.00 to recover the cost of customer or third party supplier requests for historic customer usage information in excess of twenty-four months old, to close the water and/or space heating special provisions contained in SC Nos. 1, 2, and 7 to new customers, to add seven new fixtures and associated charges to the Company's lighting service classifications, to modify the Net Metering Rider to reflect the most current version of N.J.A.C. 14:8-4, to reflect the changes set forth in Paragraph 15, and to make certain other non-revenue producing changes, and that all of the foregoing changes described in this Paragraph 14 will be reflected in the compliance Tariff to be filed pursuant to Paragraph 16 below.

15. Changes to Block Rate Structures of SC Nos. 1 and 2. The Parties agree that it is appropriate for the Company to change the block rate structures of SC Nos. 1 and 2 by: (a) reducing, for the water heating summer rate, the space heating winter rate, and the water heating winter rate, the level of the discount by 50% from the current discount level in SC No. 1; (b) changing the SC No. 1 block limit from 250 kWh to 600 kWh effective June 1, 2015; (c) transitioning the usage rate blocks for SC Nos. 2 – Primary and Non-Demand Billed to a single flat per kWh change, while reallocating revenue from usage to demand charges for SC No. 2 – Primary; and (d) eliminating 33% of the current usage rate differentials and eliminating a corresponding portion of demand rate differentials for SC No. 2 – Secondary.

16. Compliance Tariff Filing. Upon approval of this Stipulation by the Board and the Board's issuance of a written Order, the Company will file, for Staff's and Rate

Counsel's review, a compliance Tariff filing showing the issued and effective dates to implement the terms of this Stipulation and the Board's written Order, and the revised Tariff leave shall become effective on the Effective Date. The Company will make an additional tariff filing prior to June 1, 2015 to implement the SC No. 1 block limit change described in clause (b) of Paragraph 15 and the Tariff leaves in that filing will have an effective date of June 1, 2015. The Board's approval of this Stipulation shall cancel the proposed Tariff leaves that were filed by the Company with its Petition.

17. Schedules. All schedules referenced in and attached to this Stipulation are incorporated by reference herein as if set forth in the body of the Stipulation.

18. Storm Hardening Surcharge. RECO's Petition (and included exhibits and testimony) proposed various incremental storm hardening and resiliency proposals and to establish a storm hardening surcharge at an initial level of 0.0 cents/kWh. By letter from Board Staff to the Office of Administrative Law dated February 26, 2014, the Board requested that the OAL return to the Board the portions of RECO's 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 proceedings in *W/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"). By letter dated March 18, 2014, RECO identified and filed directly with the Board those portions of its Petition and supporting exhibits and testimony from the Base Rate Case relating to its proposed storm hardening measures and associated costs ("RECO Storm Hardening Surcharge Filing") in the Generic Storm Mitigation Proceeding and in RECO's own sub-proceeding in *W/O the Verified Petition of Rockland Electric Company for Establishment of a Storm Hardening Surcharge*, BPU Docket

No. ER14030250 ("RECO Storm Hardening Proceeding"). This Stipulation does not address the proposals in RECO's Storm Hardening Surcharge Filing, which will be addressed by the Parties in the RECO Storm Hardening Proceeding now pending at the Board. The Parties may use discovery responses from the Base Rate Case in the RECO Storm Hardening Proceeding to the extent they are related to the materials in the RECO Storm Hardening Surcharge filing.

19. The Parties agree that the Company shall make a base rate filing on or before July 31, 2018.

20. The Company agrees to withdraw its request for a Phase II proceeding as referenced in the direct testimony of Wayne A. Banker (p. 10, lines 14 to 23).

21. Voluntariness. The Parties agree that this Stipulation is voluntary, consistent with law, and fully dispositive of the issues addressed herein. The Parties have entered this Stipulation after consideration of the Petition and updates, the pre-filed testimony of the Parties, discovery in this matter, the Storm Costs Order and Storm Costs Stipulation, and the record of the Smart Grid Proceeding.

22. Board Approval. The Parties agree that the Board should issue an Order that adopts this Stipulation and thereby: (1) authorizes RECO to increase its electric distribution rates to achieve an additional \$13.0 million in annual revenues; and (2) approves the agreed-upon electric distribution rates set forth in Schedule B as just and reasonable, to become effective on and after the Effective Date. The Parties hereby request that the Board address this matter not later than at its agenda meeting scheduled for July 23, 2014 and that the Board issue a written Order approving this Stipulation and the revenue recovery and rates and charges established herein as soon as practicable following that agenda meeting so that rates may take effect for service rendered on and after August 1, 2014. 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.

23. Waiver of Rights of Appeal. Each Party specifically waives any right it may have to seek reconsideration of or to appeal an order by the Board that approves this Stipulation in the manner provided for herein without modification.

24. Rights Upon Disapproval or Modification. This Stipulation contains mutually balancing and 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 the Board disapproves this Stipulation as a whole, it shall be null and void. In the event that any particular aspect of this Stipulation is not accepted and approved by the Board in its entirety, without modification, or is modified by a court of competent jurisdiction: (i) the Parties are not waiving any legal or procedural rights, arguments or claims they may have before the Board or in any forum, and (ii) this Stipulation shall, at the option and discretion of any Party aggrieved thereby, exercised by written notice to the other Parties within ten days after receipt of any such adverse decision, be null and void in which case the Parties shall be placed in the same position that they were in immediately prior to its execution.

25. Party Reservations. This Stipulation represents a negotiated compromise resolution that has been made exclusively for the purpose of resolving the base rate issues addressed in the above-captioned case and docket, including the matters addressed herein that originated in the Storm Costs Proceeding (i.e., the manner of recovery of storm costs) and the Smart Grid Proceeding (i.e., the prudence review of smart grid costs, rolling of smart grid costs into base rates and termination of the smart grid surcharge). Although binding on the Parties

with respect to the issues resolved herein in this proceeding, this Stipulation, in total or by specific item, is in no way binding upon the Parties and is not to be considered or cited as precedent in favor of or against their respective positions on any issue in any other proceeding, except to enforce the terms of this Stipulation. The Parties agree that the resolution of the issues herein shall apply only to the above-captioned case and that any similar future cases shall be reviewed by the Board on an individual basis, except as specifically set forth herein. 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. Further, by executing this Stipulation, no Party waives any rights it possesses under any prior Stipulation or Board Order, except where the terms of this Stipulation supersede such prior Stipulation.

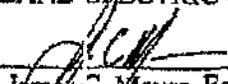
26. Captions. The subject headings of the sections of this Stipulation are inserted solely for the purpose of convenient reference and are not intended to, nor shall they, affect the meaning of any provision of this Stipulation.

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

28. Execution. This Stipulation may be executed in one or more count parts.

Each Party has caused its duly authorized representative to execute below and deliver this Stipulation.

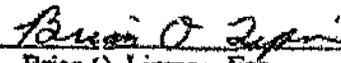
ROCKLAND ELECTRIC COMPANY

By:   
James C. Meyer, Esq.  
MICHAEL DANZIG SCHERER  
HYLAND & PERRETTI LLP

Title: Counsel

Dated: 6-30-14

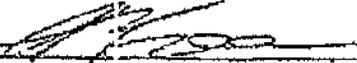
STEFANIE BRAND  
Director, Division of Rate Counsel

By:   
Brian O. Lipman, Esq.

Title: Litigation Manager

Dated: 7-1-14

JOHN J. HOFFMAN  
ACTING ATTORNEY GENERAL OF  
NEW JERSEY  
Attorney for the Staff of the Board of Public  
Utilities

By:   
Alex Moreau

Title: Deputy Attorney General

Dated: 6-30-14

Rockland Electric Company  
Electric Service  
Settlement Agreement  
Additional Revenue Requirement  
For Twelve Months Ending March 31, 2014  
(000's)

	(12+0) Test Year Submitted by Company	Settlement Adjustments	Revenue Requirement Increase
Electric Rate Base	\$ 194,695	\$ (22,509)	\$ 172,186
Overall Rate of Return	<u>8.23%</u>		<u>7.83%</u>
Required Return	16,023	(2,535)	13,488
Income Available for Return	<u>2,270</u>	<u>3,543</u>	<u>5,813</u>
Deficiency	13,753	(6,078)	7,675
Retention Factor	<u>59.04%</u>		<u>59.04%</u>
Additional Revenue Requirement	<u>\$ 23,295</u>	<u>\$ (10,295)</u>	<u>\$ 13,000</u>
Rounded	<u>\$ 23,300</u>	<u>\$ (10,300)</u>	<u>\$ 13,000</u>

Rockland Electric Company  
Electric Service  
Settlement Agreement  
Consolidated Capital Structure  
For Twelve Months Ending March 31 2014  
(000's)

	<u>Amount</u> <u>(\$000's)</u>	<u>Ratio</u>	<u>Cost</u> <u>Rate %</u>	<u>Weighted</u> <u>Average</u> <u>Ratio</u>
Long Term Debt	\$ 603.6	49.65%	5.89%	2.92%
Common Equity	<u>612.2</u>	<u>50.35%</u>	9.75%	<u>4.91%</u>
Total	<u>\$ 1,215.8</u>	<u>100.00%</u>		<u>7.83%</u>

Rockland Electric Company  
Electric Cost of Service  
Settlement Agreement  
Amortization Expense & Funding Allowance  
For Twelve Months Ending March 31, 2014

(a) The following annual expense amortizations / (refunds) and funding allowances will be charged to O&M Expense

	<u>Unamortized Balance</u>	<u>Amortization Period (Years)</u>	<u>Annual / amortization / Funding Allowance</u>
Amortization of deferred storm costs	\$25,652,364	4	\$6,413,091
Reserve for New Storms	375,799	N/A	375,799
Smart Grid Undercollection	1,189,753	3	396,584
Rate Case Costs	173,281	3	57,760
LCAP Costs	17,719	3	5,906
<u>(Over) / Under recovery of authorized amortizations:</u>			
SFAS 106 - Post Employment Benefit	(2,037,746)	3	(679,249)
Deferred Pension Costs	(44,127)	3	(14,709)
Deferred OPEB Costs	(9,788)	3	(3,263)
Transformer Installation	327,970	3	109,323
Competitive Services Audit	(3,093)	3	(1,031)
Management Audit	(2,805)	3	(935)
System Reliability Audit	(797)	3	(266)
Ramapo Property Taxes	(889)	3	(296)
<b>Total O&amp;M Amortization / Funding Expense</b>	<u>\$25,637,640</u>		<u>\$6,658,716</u>
Rounded	<u>\$25,637,600</u>		<u>\$6,658,700</u>

(b) The following annual expense amortizations / (refunds) and funding allowances will be charged to Depreciation Expense

	<u>Unamortized Balance</u>	<u>Amortization Period (Years)</u>	<u>Annual / amortization / Funding Allowance</u>
Amortization of Deferred Net Salvage	\$2,852,459	3	950,820
Annual Funding for Net Salvage	820,809	N/A	820,809
<u>(Over) / Under recovery of authorized amortizations:</u>			
10 Year Amort of Reserve Excess	1,144,000	3	381,333
10 Year Amort of Net Salvage Deficiency	1,030,000	3	343,333
4 Year Amort of Net Salvage Deficiency	(147,366)	3	(49,128)
<b>Total Amortization Expense</b>	<u>\$5,699,893</u>		<u>\$2,447,167</u>
Rounded	<u>\$5,699,900</u>		<u>\$2,447,200</u>

**ROCKLAND ELECTRIC COMPANY**  
**Calculation of Proposed Distribution Rates**  
**Including Sales and Use Tax @ 7.0%**

	Proposed Distribution Excl SUT (a)	Proposed Distribution SUT (b = a * 7%) 7%	Proposed Distribution Incl SUT (c = a + b)
<b>Service Classification No. 1 (Effective September 1, 2014)</b>			
Customer Charge (\$/mo)	4.15	0.29	4.44
First 250 kWh -S (\$/kWh)	0.04521	0.00316	0.04837
First 250 kWh -W (\$/kWh)	0.04521	0.00316	0.04837
Over 250 kWh -S (\$/kWh)	0.05355	0.00375	0.05730
Over 250 kWh -W (\$/kWh)	0.04521	0.00316	0.04837
Water Heat -S (\$/kWh)	0.04587	0.00320	0.04887
Water Heat -W (\$/kWh)	0.04150	0.00291	0.04441
Space Heat -W (\$/kWh)	0.03771	0.00264	0.04035
<b>Service Classification No. 1 (Effective June 1, 2015)</b>			
Customer Charge (\$/mo)	4.15	0.29	4.44
First 600 kWh -S (\$/kWh)	0.04521	0.00316	0.04837
First 600 kWh -W (\$/kWh)	0.04521	0.00316	0.04837
Over 600 kWh -S (\$/kWh)	0.05697	0.00399	0.06096
Over 600 kWh -W (\$/kWh)	0.04521	0.00316	0.04837
Water Heat -S (\$/kWh)	0.04850	0.00340	0.05200
Water Heat -W (\$/kWh)	0.04150	0.00291	0.04441
Space Heat -W (\$/kWh)	0.03771	0.00264	0.04035
<b>Service Classification No. 2 Unmetered</b>			
Customer Charge (\$/mo)	9.68	0.68	10.36
Usage:			
First 4,920 kWh -S (\$/kWh)	0.04324	0.00303	0.04627
First 4,920 kWh -W (\$/kWh)	0.03918	0.00274	0.04192
Over 4,920 kWh -S (\$/kWh)	0.04324	0.00303	0.04627
Over 4,920 kWh -W (\$/kWh)	0.03918	0.00274	0.04192
<b>Service Classification No. 2 Non-demand Metered</b>			
Customer Charge (\$/mo)	11.23	0.79	12.02
Usage:			
First 4,920 kWh -S (\$/kWh)	0.04324	0.00303	0.04627
First 4,920 kWh -W (\$/kWh)	0.03918	0.00274	0.04192
Over 4,920 kWh -S (\$/kWh)	0.04324	0.00303	0.04627
Over 4,920 kWh -W (\$/kWh)	0.03918	0.00274	0.04192
<b>Service Classification No. 2 Secondary</b>			
Customer Charge (\$/mo)	14.99	1.05	16.04
Demand:			
First 5 kW -S (\$/kW)	1.13	0.08	1.21
First 5 kW -W (\$/kW)	0.95	0.07	1.02
Over 5 kW -S (\$/kW)	3.95	0.28	4.23
Over 5 kW -W (\$/kW)	3.37	0.24	3.61
Usage:			
First 4,920 kWh -S (\$/kWh)	0.03564	0.00270	0.04134
First 4,920 kWh -W (\$/kWh)	0.03569	0.00250	0.03819
Over 4,920 kWh -S (\$/kWh)	0.02580	0.00209	0.03189
Over 4,920 kWh -W (\$/kWh)	0.02547	0.00206	0.03153

**ROCKLAND ELECTRIC COMPANY**  
**Calculation of Proposed Distribution Rates**  
**Including Sales and Use Tax @ 7.0%**

	Proposed Distribution Excl SUT (a)	Proposed Distribution SUT (b = a * 7%) 7%	Proposed Distribution Incl SUT (c = a + b)
<b>Service Classification No. 2 Space Heating</b>			
Space Heat -S (\$/kWh)	0.04533	0.00319	0.04872
Space Heat -W (\$/kWh)	0.02733	0.00191	0.02924
<b>Service Classification No. 2 Primary</b>			
Customer Charge (\$/mo)	78.13	5.47	83.60
<b>Demand:</b>			
First 5 kW -S (\$/kW)	7.30	0.49	7.49
First 5 kW -W (\$/kW)	5.39	0.42	6.41
Over 5 kW -S (\$/kW)	7.30	0.49	7.49
Over 5 kW -W (\$/kW)	5.39	0.42	6.41
<b>Usage:</b>			
First 4,920 kWh -S (\$/kWh)	0.01632	0.00116	0.01778
First 4,920 kWh -W (\$/kWh)	0.01635	0.00117	0.01782
Second Block - Summer (\$/kWh)	0.01632	0.00116	0.01778
Second Block - Winter (\$/kWh)	0.01635	0.00117	0.01782
Over 60k or 300HU - Summer (\$/kWh)	0.01632	0.00116	0.01778
Over 60k or 300HU - Winter (\$/kWh)	0.01635	0.00117	0.01782
<b>Service Classification No. 3</b>			
Customer Charge (\$/mo)	5.36	0.42	6.38
Peak -S (\$/kWh)	0.06231	0.00434	0.06635
Peak -W (\$/kWh)	0.05533	0.00389	0.05952
Off Peak - S (\$/kWh)	0.02234	0.00156	0.02390
Off Peak - W (\$/kWh)	0.02234	0.00156	0.02390
<b>Service Classification No. 5</b>			
Customer Charge (\$/mo)	4.15	0.29	4.44
First 250 kWh - S (\$/kWh)	0.04321	0.00302	0.04623
First 250 kWh - W (\$/kWh)	0.04321	0.00302	0.04623
Next 450 kWh -S (\$/kWh)	0.05039	0.00353	0.05392
Next 450 kWh -W (\$/kWh)	0.04321	0.00302	0.04623
Over 700 kWh -S (\$/kWh)	0.05530	0.00387	0.05917
Over 700 kWh -W (\$/kWh)	0.05147	0.00360	0.05507
<b>Service Classification No. 7 Primary</b>			
Customer Charge (\$/mo)	184.50	13.62	208.12
<b>Demand</b>			
Period I (\$/kW)	2.77	0.19	2.96
Period II (\$/kW)	0.68	0.05	0.73
Period III (\$/kW)	2.54	0.18	2.72
Period IV (\$/kW)	0.68	0.05	0.73
<b>Usage:</b>			
Period I (\$/kWh)	0.01578	0.00138	0.02116
Period II (\$/kWh)	0.01482	0.00104	0.01586
Period III (\$/kWh)	0.01578	0.00138	0.02116
Period IV (\$/kWh)	0.01482	0.00104	0.01586

**ROCKLAND ELECTRIC COMPANY**  
**Calculation of Proposed Distribution Rates**  
**Including Sales and Use Tax @ 7.0%**

	Proposed Distribution Excl SUT (a)	Proposed Distribution SUT (b = a * 7%) 7%	Proposed Distribution Incl SUT (c = a + b)
<b>Service Classification No. 7 High Voltage Distribution</b>			
Customer Charge (\$/mo)	2,145.35	150.22	2,295.17
<b>Demand</b>			
Period I (\$/kW)	0.33	0.07	1.00
Period II (\$/kW)	0.22	0.02	0.24
Period III (\$/kW)	0.35	0.06	0.91
Period IV (\$/kW)	0.22	0.02	0.24
<b>Usage</b>			
Period I (\$/kWh)	0.00232	0.00016	0.00248
Period II (\$/kWh)	0.00174	0.00012	0.00186
Period III (\$/kWh)	0.00232	0.00016	0.00248
Period IV (\$/kWh)	0.00174	0.00012	0.00186
<b>Service Classification No. 7 Space Heating</b>			
Space Heat -S (\$/kWh)	0.04772	0.00334	0.05106
Space Heat -W (\$/kWh)	0.02952	0.00207	0.03159
<b>Service Classification No. 4</b>			
5800 SV (\$/luminaire/mo.)	7.38	0.55	8.43
9500 SV	8.55	0.60	9.15
16000 SV	10.41	0.73	11.14
27500 SV	13.29	0.93	14.22
46000 SV	21.54	1.51	23.05
16000 SV Offset	21.34	1.47	22.51
27500 SV	17.56	1.23	18.79
46000 SV	24.70	1.73	26.43
1000 OBI	5.21	0.36	5.57
2500 OBI	6.97	0.49	7.46
6000 CB	10.72	0.75	11.47
4000 MV	7.07	0.49	7.56
7900 MV	8.32	0.58	8.90
12000 MV	10.83	0.76	11.59
22500 MV	13.74	0.96	14.70
40000 MV	20.89	1.46	22.35
59000 MV	26.41	1.85	28.26
4000 MV	10.74	0.75	11.49
7900 MV	13.16	0.92	14.08
7900 MV Offset	15.46	1.08	16.54
3400 Induction	8.23	0.58	8.81
5950 Induction	8.40	0.59	8.99
8500 Induction	9.47	0.66	10.13
12750 Induction	11.85	0.83	12.68
21250 Induction	15.40	1.08	16.48
5890 LED	9.02	0.63	9.65
9365 LED	11.08	0.78	11.86
<b>15 Foot Brackets</b>			
Undrg - Co. Owned	0.49	0.03	0.52
Undrg - Cust. Owned	17.98	1.26	19.24
	4.37	0.31	4.68

**ROCKLAND ELECTRIC COMPANY**  
**Calculation of Proposed Distribution Rates**  
**Including Sales and Use Tax @ 7.0%**

	Proposed Distribution Excl. SUT (a)	Proposed Distribution SUT (b = a * 7%) 7%	Proposed Distribution Incl. SUT (c = a + b)
<b>Service Classification No. 6</b>			
5800 SV (\$/luminaire/mo.)	5.70	0.39	5.89
9500 SV	6.80	0.46	7.06
16000 SV	7.09	0.50	7.59
5800 SV	7.65	0.54	8.19
9500 SV	8.39	0.59	8.98
16000 SV	10.32	0.72	11.04
27500 SV	13.24	0.93	14.17
46000 SV	21.04	1.53	23.37
27500 SV	13.24	0.93	14.17
46000 SV	21.04	1.53	23.37
16000 SV Offset	20.32	1.42	21.74
4000 MV	8.95	0.60	9.15
7900 MV	9.37	0.69	10.56
22500 MV	15.73	1.10	16.83
4000 MV	9.38	0.66	10.04
7900 MV	10.74	0.75	11.49
22500 MV	16.67	1.17	17.84
1000 In	7.62	0.53	8.15
2500 In	9.34	0.66	10.53
12000 MV	13.60	0.95	14.46
40000 MV	24.43	1.71	26.14
59000 MV	30.12	2.13	32.55
3400 Induction	8.23	0.58	8.81
5950 Induction	8.40	0.59	8.99
8500 Induction	9.17	0.66	10.13
12750 Induction	11.35	0.83	12.68
21250 Induction	15.10	1.08	16.48
5990 LED	9.22	0.63	9.65
9365 LED	11.08	0.78	11.86
15 Foot Brackets	0.34	0.04	0.58
<b>Service Classification No. 6</b>			
Customer Charge - Metered	10.36	0.74	11.30
Customer Charge - Unmetered	2.20	0.15	2.35
Energy (kWh) - Summer	0.05136	0.00360	0.05496
Energy (kWh) - Winter	0.05136	0.00360	0.05496

**ROCKLAND ELECTRIC COMPANY****Summary of Total Revenue Impacts**

<u>Service Classification</u>	<u>Total Sales (MWh)</u>	<u>Total Current Revenue (\$000s)</u>	<u>Total Proposed Revenue (\$000s)</u>	<u>Change (\$000s)</u>	<u>Percent Change</u>
SC1 Res Svc	720,241	\$117,798.3	\$126,162.2	\$8,363.9	7.10%
SC2 Non Demand Metered	4,926	837.3	899.7	62.4	7.45%
SC2 Sec	453,319	54,057.2	58,714.7	2,657.4	4.92%
SC2 Space Heating	35,044	26,219.7	26,471.9	252.2	0.96%
SC2 Pri	69,867	12,344.7	12,593.1	248.3	2.01%
SC3 Res TOD Heating	276	37.6	40.0	2.4	6.36%
SC4 Public Street Lighting	6,439	1,198.0	1,409.8	211.9	17.69%
SC5 Res Space Heating	16,535	2,404.3	2,597.7	193.4	8.04%
SC6 POL - Dusk to Dawn	3,262	552.9	653.7	100.8	18.24%
SC6 POL - Energy Only	1,596	10,200.8	10,220.7	19.9	0.20%
SC7 Pri	187,686	25,113.6	25,869.4	745.9	2.97%
SC7 High Voltage	41,696	4,555.1	4,584.7	29.6	0.65%
SC7 Space Heating	<u>15,317</u>	<u>2,194.5</u>	<u>2,309.6</u>	<u>115.1</u>	<u>5.24%</u>
	1,556,205	\$257,514.1	\$270,517.2	\$13,003.1	5.05%
Proposed Revenue Requirement				\$13,000.0	
Over/(Under)				\$3.1	

**Note:**

An estimated electric supply cost for CIEP-eligible retail access customers has been included in total revenue.

ROCKLAND ELECTRIC COMPANY  
DEPRECIATION RATES

ACCT	ACCOUNT TITLE	LIFE TABLE	AVERAGE SERVICE LIFE (years)	NET SALVAGE FACTOR (percent)	ANNUAL DEPREC RATE (percent)
<u>INTANGIBLE PLANT</u>					
301000	ORGANIZATION	-	-	-	-
302000	FRANCHISE & CONSENTS	-	-	-	-
303820	NJ REAL TIME PRICING	(A)	-	-	Amort.
<u>TRANSMISSION PLANT (Note B)</u>					
350000	LAND - EASEMENTS	-	-	-	-
350100	LAND & LAND RIGHTS - FEE	-	-	-	-
352000	STRUCTURES & IMPROVEMENTS	h 2.00	50	-	2.00
353000	STATION EQUIPMENT	h 1.50	35	-	2.86
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
356100	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
<u>DISTRIBUTION PLANT</u>					
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	<u>METER PURCHASES</u>				
	ELECTRO-MECHANICAL	h 1.00	25	-	4.00
	SOLID-STATE	h 1.00	20	-	5.00
370200	<u>METER INSTALLATIONS</u>				
	ELECTRO-MECHANICAL	h 1.00	25	-	4.00
	SOLID-STATE	h 1.00	20	-	5.00
370300	<u>DEMAND REC &amp; PURCHASES</u>				
	ELECTRO-MECHANICAL	h 1.00	25	-	4.00
	SOLID-STATE	h 1.00	20	-	5.00
370600	SURGE 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)
<u>PLANT HELD FOR FUTURE USE</u>					
360009	LAND - EASEMENTS	-	-	-	-
360109	LAND & LAND RIGHTS - FEE	-	-	-	-
<u>GENERAL PLANT</u>					
389100	LAND & LAND RIGHTS - FEE	-	-	-	-
390000	STRUCTURES & IMPROVEMENTS	1.00	50	-	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)
<u>UNALLOCATED RESERVE (\$000)</u>					<u>Annual Amortization / Allowance</u>
699010	RESERVE VARIATION AMORTIZATION - ER02100724				1381,333
699020	RESERVE VARIATION AMORTIZATION - EXCESS NET SALVAGE - ER02100724				343,333
699030	CURRENT NET SALVAGE ALLOWANCE				320,809
699040	NET SALVAGE DEFICIENCY (2006 CASE)				(49,128)
699050	NET SALVAGE DEFICIENCY (2009 CASE)				-
699060	NET SALVAGE DEFICIENCY (2013 CASE)				350,820
					<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.