



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu

DIVISION OF ENERGY

IN THE MATTER OF THE VERIFIED PETITION)	ORDER APPROVING
OF ROCKLAND ELECTRIC COMPANY FOR AN)	EXTENSION OF RECOVERY
ORDER TO AUTHORIZE THE INCREASE OF)	OF RMR COSTS
TRANSMISSION RELATED CHARGES TO BASIC)	
GENERATION SERVICE-FIXED PRICE & BASIC)	BPU DOCKET NO. ER07060370
GENERATION SERVICE - COMMERCIAL INDUSTRIAL)	
ENERGY PRICING CUSTOMERS)	

(SERVICE LIST ATTACHED)

BY THE BOARD:

On March 24, 2008, Rockland Electric Company ("RECO" or "Company"), filed a petition with the New Jersey Board of Public Utilities ("Board") requesting approval to extend its authority to recover Reliability Must Run ("RMR") costs from customers who take Basic Generation Service ("BGS"), and to pay BGS suppliers for these RMR charges pursuant to the terms of their BGS Supplier Master Agreements ("SMAs"), for periods beyond the previously authorized period ending September 30, 2008.

Background

Under Part V of the PJM Interconnection, L.L.C.'s ("PJM") Open Access Transmission Tariff ("OATT"), a generator wishing to retire a generation facility that has subsequently been notified by PJM that the subject facility is needed for reliability purposes, has a choice of two compensation mechanisms should the generator elect not to retire the relevant facility. The generator may either file a cost of service rate with the FERC to recover the entire cost of the operating unit beyond its deactivation date, the RMR costs, or it may elect to receive a Deactivation Avoidable Cost Credit. RMR costs are recovered by PJM through an additional transmission charge in the transmission zones assigned financial responsibility for the related transmission updates. By Order dated January 25, 2005, PJM Interconnection, LLC 110 FERC Paragraph 61,053 (2005), the FERC approved PJM's OATT Section 119, which describes the calculation methodology for RMR charges.

On April 25, 2005, FERC issued an Order in PSEG Energy Resources & Trade, LLC and PSEG Fossil LLC, 111 FERC Paragraph 61,121 (2005), in which FERC accepted the proposed tariff of PSEG Energy Resources & Trade, LLC and PSEG Fossil LLC (together, "PSEG Power"), subject to further modification, reflecting PJM charges for RMR costs intended to compensate PSEG Power for generating units that PSEG Power sought to deactivate but continued to operate due to the request by PJM that they continue operating for reliability purposes.

By Board Order dated June 22, 2005 in Docket No. ER05040368¹, the Board approved the request of Atlantic City Electric Company ("ACE"), Jersey Central Power & Light Company ("JCP&L"), and Public Service Electric and Gas Company ("PSE&G") (collectively, the "EDCs") to recover RMR-related charges through their Basic Generation Service-Fixed Price ("BGS-FP") and Basic Generation Service- Commercial Industrial Energy Pricing ("BGS-CIEP") tariffs with any over or under recoveries flowing through each EDC's BGS Reconciliation Charge. The Board required the EDCs to adjust the BGS tariff rates on an annual basis effective January 1 of each year, and to submit compliance tariff sheets as required to implement changes to the PJM RMR charges that reflect the then current effective RMR costs, including any anticipated net revenue and other credits applicable for the following twelve (12) month period. The Board also authorized the three petitioning EDCs to compensate BGS suppliers for RMR charges pursuant to the terms of their BGS SMAs, and flow the difference between charges to customers and payments to suppliers through the BGS Reconciliation Charge. In the event that the RMR charge ultimately approved by FERC is less than what has been collected, the Board directed the EDCs to credit to their respective BGS-FP Reconciliation Charge, any over-collections with interest in the manner set forth in each EDC's Board-approved compliance filing for the 2005 auction, and to make the appropriate payments to BGS-FP suppliers. The April 25, 2005 FERC decision on RMR did not have any impact RECO at the time, and therefore, RECO was not part of the petition.

Based on PJM's assessment of the contribution to, the need for, and the benefits expected to be derived from retaining Sewaren 1-4 and Hudson Unit 1 Generators, PJM began assessing RMR charges to RECO's BGS suppliers. Effective January 1, 2007, RECO was assessed with a zonal percentage cost allocation of three (3) percent for 2007. On April 30, 2007, RECO filed a petition with the Board requesting approval relating to the recovery of RMR charges assessed by the PJM OATT similar to what the Board granted to ACE, JCP&L, and PSE&G by Order dated June 22, 2005.

By Board Order dated August 1, 2007, the Board approved RECO's request to recover RMR related charges through its BGS-FP and BGS-CIEP tariffs with any over or under recoveries flowing through its BGS Reconciliation Charge ("RECO RMR Order"). The Board further directed RECO to: 1) file revised tariffs reflecting the recovery of RMR transmission charges that commenced January 1, 2007 and were being amortized through the end of 2007; 2) commence charging new BGS rates reflecting the RMR charges effective August 1, 2007; 3) adjust the BGS tariff rates on an annual basis, effective January 1 of the following year and submit compliance tariff sheets as required to implement changes to the PJM RMR transmission charges that reflected the then current effective RMR costs including any anticipated net revenue or other credits applicable for the following nine (9) month period (January through September 2008); 4) compensate BGS suppliers for RMR charges pursuant to the terms of their BGS SMAs and flow the difference between charges to customers and payments to suppliers through the BGS Reconciliation Charges., and 5) credit any over-collections with interest to its BGS-FP Reconciliation Charge and make the appropriate payments to BGS-FP suppliers, in the event that the RMR charges ultimately approved by FERC are less than the amount that has been collected. In addition, the Board directed that the manner in which over-collections are determined and the manner in which interest is calculated including the method and the appropriate interest to be

¹ In the Matter of the Petition of Atlantic City Electric Company, Jersey Central Power & Light Company, and Public Service Electric and Gas Company for Authorization to Increase the Transmission Related Charges to BGS-FP and BGS-CIEP Customers (BPU Dkt No. ER05040368) and In the Matter of the Provision of Basic Generation Service for Year Three of the Post-Transition Period (BPU Dkt. No. EO04040288). Order dated June 22, 2005.

applied in the calculation, be addressed as an issue in the pending 2008 BGS proceeding.² With respect to the manner and method in which RECO currently determines over-collections and the manner in which interest is calculated including the method and the appropriate interest rate applied in the calculation, the Board indicated that its approval was interim subject to the resolution of the issue in the pending 2008 BGS proceeding.

RECO March 24, 2008 Filing

In its Order dated March 12, 2007, in FERC Docket No. ER07-506-000, the FERC approved the request of PSEG Energy Resources and Trade LLC to extend the term of the RMR services provided to PJM by the Hudson Unit No. 1 generator for two additional years (until September 1, 2010). The FERC order resulted in PJM assessing RECO's BGS suppliers RMR charges for the period from October 2008 through September 2010.

Since the RECO RMR Order only authorized RECO to recover RMR charges through its tariff rates until September 30, 2008, RECO has requested that the Board extend RECO's authority to pay BGS suppliers and recover through its tariff rates the FERC-approved RMR charges for periods beyond September 30, 2008.

By letter dated December 31, 2007, RECO filed compliance tariff leaves to recover RMR charges for the period January 1, 2008 through September 30, 2008. RECO has filed draft tariff leaves to reflect RMR charges for the remaining three months of 2008. RECO has requested authority to subsequently file updates for rates effective January 1 of the following years.

DISCUSSION AND FINDING

The Board has reviewed the Company's proposed tariff sheets, the relevant FERC orders, the Board's BGS and RMR Orders, including the approved BGS-FP and BGS-CIEP SMAs. RMR charges to BGS suppliers are the type of charges associated with the PJM OATT that the Board has previously determined should be passed through to BGS customers. Moreover, Section 15.9 of the SMAs provides the methodology for passing through and collecting such charges from BGS-FP and BGS-CIEP customers. Section 15.9 of the SMAS specifically indicates that the EDC will not compensate the BGS-FP and BGS-CIEP suppliers until the FERC Order becomes final and not subject to refund.

For the foregoing reasons, the Board **HEREBY APPROVES** the Company's request to recover transmission related charges through its BGS-FP and BGS-CIEP tariffs with any over or under recoveries flowing through its BGS Reconciliation Charge. Furthermore, the Board **HEREBY DIRECTS** RECO to:

- File revised tariffs within five (5) days of the date of this Order reflecting the recovery of RMR transmission charges for the October 1, 2008 through December 31, 2008.
2. Commence charging new BGS rates reflecting the RMR charges effective October 1, 2008.
3. Adjust the BGS tariff rates on an annual basis, effective January 1 of the following year and submit compliance tariff sheets as required to implement any changes to the PJM RMR transmission charges that reflect the then current effective RMR costs including any anticipated net revenue or other credits applicable for the following twelve (12) month period.

² In the Matter of the Provision of Basic Generation Service for the Period Beginning June 1, 2008, Docket No. ER07060379

4. Compensate BGS suppliers for RMR charges pursuant to the terms of their BGS Supplier Master Agreements and flow the difference between charges to the customers and payments to the suppliers through the BGS Reconciliation Charges.
5. Credit any over-collections with interest to its BGS-FP Reconciliation Charge, and make the appropriate payments to BGS-FP suppliers, in the event that the RMR charge ultimately approved by FERC is less than the amount that has been collected.

In addition, the Board notes that an issue raised in the previous RECO 2007 RMR Order regarding over-collections and interest calculations, was not addressed in the 2008 BGS proceeding. Accordingly, the Board **HEREBY EXTENDS** interim approval of the method used by RECO in determining over-collections and the calculation of interest, and **DIRECTS** that this issue be resolved in the pending 2009 BGS proceeding.

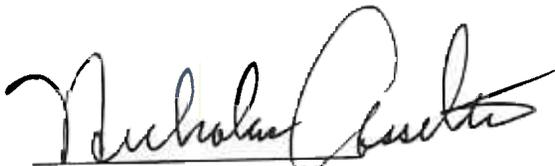
DATED: 9/15/08

BOARD OF PUBLIC UTILITIES
BY:


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PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

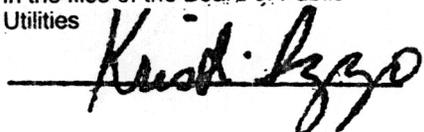

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
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



QB

I/M/O the Verified Petition of Rockland Electric Company for An Order to Authorize the Increase of Transmission Related Charges to Basic Generation Service- Fixed Price and Basic Generation Service- Commercial Industrial Pricing Customers
BPU Docket No. ER07060370

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