



Agenda Date: 9/12/08
Agenda Item: 2D

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

ENERGY

IN THE MATTER OF THE PETITION OF ROCKLAND)	ORDER APPROVING
ELECTRIC COMPANY TO REVISE ITS ELECTRIC)	TARIFF REVISIONS
TARIFF TO ESTABLISH A HIGH VOLTAGE)	
DISTRIBUTION RATE OPTION UNDER THE)	
COMPANY'S EXISTING SERVICE CLASSIFICATION)	DOCKET NO. ET08050309
NO. 7)	

(SERVICE LIST ATTACHED)

BY THE BOARD:

On May 13, 2008, Rockland Electric Company ("RECO" or the "Company") filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU") seeking the Board's approval to establish a high voltage distribution rate option under the Company's existing Large General Time of Day Service classification or Service Classification No. 7 ("SC7")

This rate option is being developed to facilitate service to a large data center under construction in RECO's service territory in Mahwah, New Jersey (the "South Mahwah Data Center"). The facility, to be served from 138kV distribution facilities, is expected to take full service by October 2009. The proposed high voltage distribution rate will be an option under the Company's SC7 tariff schedule, and is being developed on a generic basis so that it may apply to any future customers taking service from high voltage distribution facilities at 69 kV or higher.

BACKGROUND

Currently, under SC-7, customers take service at primary voltages, typically at 13.2kV. Customers seeking to take service at higher distribution voltages, such as 69kV and 138 kV, must construct their own substation facilities to step down the service voltage to the necessary utilization voltages. The South Mahwah Data Center would be the first customer in RECO's service territory to take service at 69 kV or higher. According to the petition, such high voltage customers can not utilize or benefit from the Company's distribution substations and primary distribution system. Consequently, the electric distribution rates applicable to high voltage customers can differ significantly from the rates applicable to customers served at primary distribution voltages.

According to the Company, the new high voltage distribution rate was developed based on the embedded cost of service study ("ECOS") used to set rates in RECO's last base rate case.¹ Utilizing the load characteristics of an existing 5 MW data center in the Company's service territory, SC7 distribution costs were segregated to isolate those applicable to facilities at or above 69 kV. Those costs were analyzed to determine the portion of SC7 distribution rates applicable to high voltage distribution service. A separate customer charge of \$1,881, compared to \$108.39 for existing primary voltage service, has been established for high voltage distribution service to reflect the higher costs of metering facilities for this service.

The Company has also proposed to modify the tariffs to specify that only primary SC7 customers are eligible for service under the Building Utilization Rider and the Business Expansion Rider. According to the Company, customers served under the proposed high voltage distribution rate would be excluded from these Riders because the proposed high voltage distribution rate provides the same economic development incentives for these customers that are inherent in the Riders.

PROCEDURAL HISTORY

The parties in this proceeding included RECO, the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") and Board Staff ("Staff") (collectively referred to as "the Parties"). Staff and Rate Counsel propounded discovery requests on the Petitioner and received responses thereto. The Parties also engaged in various discovery conferences on the issues in the petition. Based on information provided in discovery, the South Mahwah Data Center would demand 25MW of diversified load consuming 161 million kWhs of electricity annually. The facility, currently being constructed, will occupy 390,000 square feet in the Mahwah Industrial Park, and is projected to employ 50 workers.

Based on the information provided, Staff does not object to the approval of the proposed tariff modification. By letter dated August 8, 2008, Rate Counsel stated that it also does not object to the approval of the proposed tariff modification subject to reservation of its right to examine the rate making and accounting treatment of the filing in the Company's next base rate case. Rate Counsel also reserves its right to receive any reports concerning the energy sales to, and associated revenues derived by RECO from, the high voltage distribution rate subclass which are provided to Staff.

DISCUSSION AND FINDINGS

After reviewing the filing and responses in this matter, the Board FINDS merit in the Company's assertion that high voltage distribution customers would not utilize or benefit from the Company's primary distribution system and distribution substations, and as such would impose significantly different distribution costs from customers taking service at primary voltages. According to RECO, such differential costs have necessitated the development of rates that would more accurately recover the costs of serving the high voltage distribution subclass which lead to the proposal of this high voltage distribution rate option under SC7. The rates developed for this service are based upon the ECOS applied in RECO's last base rate case which the Board adopted through its approval of the Stipulation in that matter. The Board FINDS the basis for RECO's proposed rates for high voltage distribution service is reasonable and RECOGNIZES that this tariff modification is not expected to have an impact on the bills of the Company's existing customers.

¹ In the Matter of 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.

The Board also recognizes the Company's claim that the offering of a high tension service may attract other customers with similar high voltage load characteristics, and may increase the potential for economic development and job creation in RECO's service territory. The South Mahwah Data Center, the initial customer under this proposed rate option, is expected to employ fifty people.

The Board also recognizes that RECO currently has short and long-term initiatives underway that incorporate improved and new technologies within the electric delivery system. According to the Company, although this project is substantially customer-based, consistent with the Company's commitment in its last base rate case, it will install a smart grid component to this project that will involve expanding the use of a sophisticated high voltage protection system that utilizes state-of-the-art microprocessor-based relays operating through a fiber-optic communications path.

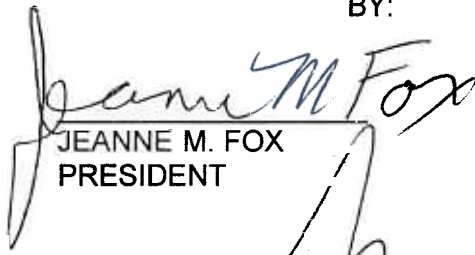
Accordingly, the Board HEREBY APPROVES the modified SC7 tariffs, and the revised Building Utilization Rider and Business Expansion Rider, and DIRECTS RECO to file final modified tariffs reflecting the new high voltage distribution rates within five days of the date of this Order.

The Board further ORDERS the Company to file annual reports with Board Staff, with copies to Rate Counsel, on the energy consumption of and revenues from the South Mahwah Data Center and other future customers who take service under the SC7 high voltage distribution subclass.

Approval granted by this Order pursuant to N.J.S.A. 48:2-21.2 is subject to the rights of the Parties to examine the ratemaking and accounting treatment of these modifications of SC7 in the Company's next base rate case.

DATED: 9/15/08

BOARD OF PUBLIC UTILITIES
BY:


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PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
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ELIZABETH RANDALL
COMMISSIONER

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities

ATTEST:


KRISTI IZZO
SECRETARY

In the Matter of the Petition of Rockland Electric Company to
Revise its Electric Tariff to Establish a High Voltage Distribution Rate Option
under the Company's Existing Service Class No. 7 – Docket No. ET08050309

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