



Agenda Date: 5/12/10
Agenda Item: 2G

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

ENERGY

IN THE MATTER OF THE VERIFIED PETITION OF)	DECISION AND ORDER
ROCKLAND ELECTRIC COMPANY FOR APPROVAL)	APPROVING STIPULATION AND
OF CHANGES IN ELECTRIC RATES, ITS TARIFF FOR)	ADOPTING INITIAL DECISION
ELECTRIC SERVICES, ITS DEPRECIATION RATES,)	
AND FOR OTHER RELIEF)	DOCKET NO. ER09080668

John J. Carley, Esq., and James C. Meyer, Esq., on behalf of Rockland Electric Company

Paul Flanagan, Esq., Christine Juarez, Esq., and Susan McClure, Esq., (Stephanie A. Brand, Director, Department of Public Advocate) on behalf of the Division of Rate Counsel

Alex Moreau, Deputy Attorney Generals, on behalf of the Staff of the New Jersey Board of Public Utilities (**Paula Dow,** Attorney General of New Jersey)

BY THE BOARD¹:

On August 17, 2009, Rockland Electric Company ("RECO" or "Company") filed a petition requesting an increase in RECO's base electric distribution rates and charges, changes to certain electric and general plant depreciation rates, and various tariff changes ("Petition"). The Company's filing consisted of the Petition, exhibits to the Petition, pre-filed direct testimony, and schedules using a test-year ending December 31, 2009 that reflected six months of actual and six months of projected data.

The Petition stated that the increased distribution rates and changes in the Company's proposed tariff were designed to produce additional revenues of \$9.8 million, a 3.8% increase, calculated using current rates and the Company's projected sales for the twelve months ending December 31, 2009, subject to increase or decrease pending the Company's filing of updated information.

On September 15, 2009, the Petition was transmitted to the Office of Administrative Law for evidentiary hearings and assigned to Administrative Law Judge ("ALJ") Richard McGill.

¹ Commissioner Elizabeth Randall did not participate in this matter.

On November 18, 2009, ALJ McGill held a pre-hearing conference, and by a pre-hearing order dated December 15, 2009, established a procedural schedule which set deadlines for submittal of testimony, and established dates for public and evidentiary hearings.

On December 1, 2009, the Company submitted updated exhibits reflecting ten months of actual data through October 2009 ("10+2 Update"). The 10+2 Update called for a 5.7% revenue increase of \$12.9 million.

After notice to municipal clerks and county directors, and publication in newspapers with circulation in the Company's service territory, public hearings on RECO's proposed distribution base rate increase were held on January 13, 2010 in Mahwah, New Jersey. No customers appeared at the hearings or submitted comments regarding the proposed increase.

On January 29, 2010, the Company filed an update reflecting twelve months of actual data through December 31, 2009 ("12+0 Update") as well as certain adjustments relating to decreased sales. The 12+0 Update called for a 6.4% revenue increase of \$13.8 million.

Following the review of the Company's filing, representatives of the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), Staff of the Board ("Staff"), and the Company (collectively, "the Parties") engaged in extensive discovery over several months.

On March 5, 2010, Rate Counsel filed its direct testimony in response to the Company's filing. On April 1, 2010, the Company filed its rebuttal testimony.

On April 9, 2010, Public Service Electric and Gas Company ("PSE&G") moved to intervene. The Company and PSE&G reached an agreement that limited PSE&G's request to that of a participant on specific issues.

The Parties held in-person settlement discussions on March 23, April 8, and April 13, 2010, and held several additional telephone settlement conferences.

On April 20, 2010, ALJ McGill was advised that the Parties had reached a settlement in principle and would be submitting a stipulation for his consideration. ALJ McGill subsequently adjourned scheduled evidentiary hearings. On May 5, 2010, the Parties executed a stipulation of settlement ("Stipulation"), the salient points, of which are as follows:

THE PROPOSED STIPULATION²

1. Upon Board approval, RECO will be permitted to increase its base distribution rates in a manner designed to produce a total annual revenue requirement increase of \$9.8 million, which equates to an increase in overall revenues (based upon current sales updated for decreased sales levels) of 4.5 percent. The rate base is \$148.6 million.
2. The Parties recommend that the new rates become effective on and after May 17, 2010.

²Although 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 conclusion in this Order.

3. The Parties agree that:

- a) the appropriate return on common equity is 10.3%,
- b) an appropriate overall rate of return is 8.21%, and
- c) the capital structure for this Settlement is 49.76% long-term debt, 0.39% short-term debt, and 49.85% common equity. The capitalization producing the overall rate of return is set forth in Stipulation attachment, Schedule A.

4. The determination of the stipulated revenue requirement and adjustments to the Company's 12+0 Update filing to achieve the stipulated revenue requirement are set forth in Schedule A.

5. The Parties agree that:

- a) Schedule B summarizes the revised electric distribution rates to be implemented on the Effective Date.
- b) Schedule C, Proof of Revenues, demonstrates that the rates to be implemented by RECO on the Effective Date are designed to produce an additional \$9.8 million in revenues. A typical residential customer using 925 kWh per month will receive an annualized monthly bill increase of approximately \$6.52 or 3.7% on a total revenue basis from \$174.87 to 181.39 or \$78.24 annually.

6. The Parties agree that at the time the Company files its next base rate case RECO will provide to Staff and Rate Counsel a cost of service study using the "Average and Peak" methodology as detailed in the Stipulation.

The Company and any Party to the Stipulation reserve and retain the right to oppose the methodology or results of the Average and Peak Cost of Service Study or any rate design based thereon, and to file and support a Cost of Service Study utilizing any methodology they consider appropriate.

- 7. The Parties agree to increase the reconnection charge to \$28 and to make certain other changes which will be reflected in the compliance Tariff to be filed pursuant to paragraph 9 in the Stipulation. These changes include, but are not limited to, modification of the Net Metering Rider to reflect the most current version of N.J.A.C. 14:8-4.
- 8. In RECO's next base rate case the Parties will examine the appropriateness of the residential first-block threshold of 250 kWh.
- 9. Upon issuance of a Board Order approving the Stipulation, 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 the Stipulation and the Board's written Order. The revised Tariff shall become effective on the Effective Date.
- 10. RECO agrees to provide Staff and Rate Counsel with copies of the most recent pension and OPEB Actuarial Valuation Reports developed by its actuary Buck Consultants, within 30 business days of the Company's receipt of the reports. These

Reports include the detailed accounting information used by the Company for financial reporting and detail concerning the actuarial assumptions and methods employed

11. The Company will implement the depreciation lives and life tables for electric distribution and general plant as shown on Schedule D attached to the Stipulation.
12. RECO shall recover the net salvage deficiency in rates over a five-year amortization period enabling the Company to annually recover \$292,206 of the net salvage deficiency. The Parties also agree that the rates established in the Stipulation reflect an additional going-forward annual net salvage recovery allowance of \$441,133.
13. The Company shall recover the storm reserve deficiency in rates over a five-year amortization period such that RECO annually shall recover \$974,139 of the storm reserve deficiency. The Parties agree that the rates established in the Stipulation include an additional annual funding recovery allowance for the storm reserve of \$375,799.
14. Existing Deferred Costs relating to:
 - a) the competitive services, management, and, system reliability audits, and Ramapo property tax refunds, have an unamortized balance of \$18,933 as of April 30, 2010, and will be recovered in rates over three years at the rate of \$6,311 per year.
 - b) deferred pension and OPEB costs, that have unamortized balances of \$105,907 and \$23,490 respectively, as of April 30, 2010, will be amortized and recovered in rates over three years at the rate of \$35,302 per year for pensions and \$7,830 per year for OPEBs.
 - c) the unrecovered balance of \$61,588 of rate case expenses from BPU Docket ER06060483 will be recovered over four years at an annual rate of \$15,397.
15. New Deferred Costs and Credits.
 - a) Based on the Board's directive, the Company incurred and deferred \$477,000 of management audit costs in 2009. This amount will be amortized and recovered in rates over four years at the rate of \$119,250 per year.
 - b) RECO will be allowed to recover in rates \$250,000 of rate case costs for the current case. These costs will be amortized and recovered in rates over four years at a rate of \$62,500 per year.
 - c) The refund of over-capitalized installation costs for transformers of \$787,128 will be passed back to customers over three years as a credit reflected in the revenue requirement of \$262,376 per year.
16. Prospectively, the cost of a recently hired employee to administer the Company's Universal Service Fund related activities, should be recovered through base rates rather than through the Societal Benefits Charge ("SBC"). Accordingly, the rates established in this Stipulation include annual funding for this employee in the amount of \$75,000 plus fringe benefits.
17. The Parties agree to withdraw, and by execution of the Stipulation provide notice to the Board of their withdrawal of, the Stipulation they filed with the Board on July 13, 2010 ("Economic Stimulus Stipulation") *In the Matter of the Verified Petition of Rockland*

Electric Company for Approval of an Economic Stimulus Program and Associated Rate Recovery, BPU Docket No. EO09010064 ("RECO Economic Stimulus Docket"). The Parties recommend that the Board accept the withdrawal of this Economic Stimulus Stipulation and close the RECO Economic Stimulus Docket.

18. As outlined in the Stipulation, the Parties agree that by approving this Stipulation, the Board would confirm and find that there is a sufficient nexus between this base rate proceeding and the Smart Grid Proceeding, Docket No. ER09060459 Order dated April 5, 2010 and the approved Smart Grid Infrastructure Grant ("SGIG") Stipulation or a future Smart Grid Distribution Grant ("SGDG") stipulation to be negotiated among the Parties to the extent it is thereafter approved in the Smart Grid Proceeding, so as to permit RECO to assess and adjust Smart Grid Surcharge ("SGS") rates that recover Accepted SGIG Program costs and Accepted SGDG Program costs in accordance with the Board's order in the Smart Grid Proceeding.
19. The Parties request that the Board approve the Stipulation and issue an appropriate written Order reflecting approval of the revenue recovery and rates and charges established in the Stipulation as soon as practicable so that rates may take effect on and after May 17, 2010.

On May 6, 2010 ALJ McGill issued his Initial Decision in the proceeding. ALJ McGill found that the Parties voluntarily agreed to a settlement in this matter, and that the Stipulation fully disposes of all issues in controversy and is consistent with the law.³

DISCUSSION AND FINDINGS

Based on the Board's careful review and consideration of the record in this proceeding, the Board **HEREBY FINDS** the Initial Decision and the Stipulation to be reasonable; in the public interest and in accordance with the law. Therefore, the Board **HEREBY ADOPTS** ALJ McGill's Initial Decision and the Stipulation as its own, as if fully set forth herein.

As requested by the Parties, the Board **HEREBY CLOSES** BPU Docket No. EO09010064, *In the Matter of the Verified Petition of Rockland Electric Company for Approval of an Economic Stimulus Program and Associated Rate Recovery*.

The Board **HEREBY FINDS** a sufficient nexus between this base rate case proceeding and the Smart Grid Proceeding in Docket No. ER09060459 which will allow the Company to assess and adjust Smart Grid Surcharge rates that recover Board approved Program costs on an interim basis subject to refund pending review of those costs in the Company's next rate case to be filed on or prior to December 1, 2013.

The Board **FURTHER FINDS** that the Effective Date of this Stipulation is the later of May 17, 2010 or the date of this Order granting approval of the Stipulation.

³ The Initial Decision also stated that PSE&G had been granted participant status.

On December 30, 2009, the Appellate Division issued a decision invalidating certain provisions of the Board's Main Extension Rules⁴. On March 24, 2010, the Board issued a Secretary's letter ("March 24 Letter") directing the utilities to process all applications and deposits for extensions received after December 30, 2009 as if they were in a 'Designated Growth Area' under N.J.A.C. 14:3-8.1 et seq. Pursuant to the Stipulation, the Company will file a compliance tariff to implement the terms of the Stipulation and this Board Order. The Board, HEREBY ORDERS to the extent that the compliance filing addresses the Main Extension Rules, the newly filed tariff shall be consistent with the Centex Decision and the March 24 Letter.

The Company shall file its new compliance tariff within ten (10) days of the date of this Order.

DATED: 5/12/10

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT

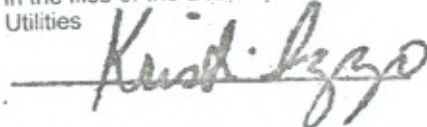

JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
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


⁴ In re Centex Homes, LLC Petition for Extension of Serv., 411 N.J. Super. 244 (App. Div 2009) ("Centex Decision").

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
BPU Docket Number ER09080668

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

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INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 11407-09

BPU DKT. NO. ER09080668

IN THE MATTER OF THE VERIFIED
PETITION OF ROCKLAND ELECTRIC
COMPANY FOR APPROVAL OF
CHANGES IN ELECTRIC RATES,
ITS TARIFF FOR ELECTRIC SERVICE,
ITS DEPRECIATION RATES, AND FOR
OTHER RELIEF.

James C. Meyer, Esq., for Rockland Electric Company
(Riker, Danzig, Scherer, Hyland & Perretti, attorneys)

John L. Carley, Esq., member of the New York and Connecticut Bars, admitted
pro hac vice, for Rockland Electric Company. Attorney of Record: James
C. Meyer, Esq.

Margaret Comes, Esq., for Rockland Electric Company

Alex Moreau, Deputy Attorney General, and Caroline Vachier, Deputy Attorney
General, for the Staff of the Board of Public Utilities (Paula T. Dow,
Attorney General of New Jersey, attorney)

Susan E. McClure, Assistant Deputy Public Advocate, and **Christine M. Juarez**, Assistant Deputy Public Advocate, for the Division of Rate Counsel (Stephanie Brand, Acting Public Advocate of New Jersey and Director of the New Jersey Division of Rate Counsel, attorney)

Record Closed: May 6, 2010

Decided: May 6, 2010

BEFORE **RICHARD McGILL**, ALJ:

On August 17, 2009, Rockland Electric Company (the "Company") filed a verified petition with the Board of Public Utilities ("Board") seeking approval of changes in its base electric distribution rates and charges, changes to certain electric and general plant depreciation rates, and various tariff changes. The Company's proposed rates were designed to produce additional annual revenues of \$9.8 million, or a 3.8% increase based on total revenues.

The matter was transmitted to the Office of Administrative Law on September 30, 2009, for determination as a contested case. In addition to the Company, the full parties to this proceeding include the Board's Staff and the Division of Rate Counsel. Participant status was granted to Public Service Electric & Gas Company. Public hearings were conducted during the day and evening of January 13, 2010, in the service territory, specifically, Mahwah, New Jersey. On January 29, 2010, the Company filed an update with actual results for test year ended December 31, 2009 ("12 + 0 update") showing a revenue deficiency of \$13.8 million, or a 6.4% increase on a total revenue basis.

The evidentiary hearings were scheduled to begin on April 23, 2010. Prior to commencement of the evidentiary hearings, the parties reached an agreement and subsequently submitted a Stipulation of Settlement ("Settlement"). The Settlement provides for an additional \$9.8 million in annual distribution revenues. The parties recommend that the rates become effective for service rendered on and after May 17, 2010. Further, the Settlement resolves rate design and various other matters.

Having reviewed the record and the settlement terms, I **FIND** as follows:

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, I **CONCLUDE** that the agreement meets the requirements of N.J.A.C. 17:1-19.1 and that the settlement should be approved. Accordingly, it is **ORDERED** that the parties comply with the settlement terms, and it is **FURTHER ORDERED** that the proceedings in this matter be 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 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.

May 6, 2010

DATE

Richard McGill

RICHARD MCGILL, ALJ

Date Received at Agency: 5-10-2010

Floyd Hargrave

Date Mailed to Parties:

jb

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

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STATE OF N.J.
OFFICE OF ADMIN. LAW
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I/M/O THE VERIFIED PETITION OF :
ROCKLAND ELECTRIC COMPANY FOR :
APPROVAL OF CHANGES IN ELECTRIC : BPU Docket No. ER09080668
RATES, ITS TARIFF FOR ELECTRIC : OAL Docket No. PUC 11407-2009N
SERVICES, ITS DEPRECIATION RATES, :
AND FOR OTHER RELIEF :
:
:
:

STIPULATION OF SETTLEMENT

APPEARANCES:

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

Christine Juarez, Esq., Assistant Deputy Public Advocate and Susan McClure, Assistant Deputy Public Advocate, Department of the Public Advocate, Division of Rate Counsel (Stefanie A. Brand, Esq., Director)

Alex Moreau, Esq., Deputy Attorney General, for the Staff of the New Jersey Board of Public Utilities (Paula T. Dow, Attorney General of New Jersey)

THIS STIPULATION OF SETTLEMENT ("Stipulation" or "Settlement") is made as of May 5, 2010, by and among Rockland Electric Company ("RECO" or the "Company"), the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") and Staff of the Board of Public Utilities ("Staff") (collectively referred to herein individually as a "Party" and collectively as the "Parties").

On August 17, 2009, RECO filed a Verified Petition ("Petition") in the proceeding captioned above in BPU Docket No. ER09080668. 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, and various tariff changes. 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 \$9.8 million, or a 3.8% increase based on total revenues calculated using current rates and the Company's projected sales for the twelve months ended December 31, 2009, subject to increase or decrease upon the Company's filing of updated information. On January 29, 2010, the Company filed and served upon the Parties an update reflecting twelve months of actual information through December 31, 2009, as well as certain adjustments relating to decreased sales ("12+0 Update"). The 12+0 Update sets forth a revenue deficiency of \$13.8 million, or a 6.4% increase on a total revenue basis.

The Company's Petition was transmitted to the Office of Administrative Law for evidentiary hearings and assigned to the Honorable Richard McGill, Administrative Law Judge ("ALJ"). ALJ McGill held a Prehearing Conference on November 18, 2009, and by a prehearing order dated December 15, 2009, established a procedural schedule including evidentiary hearings on April 23, 2010 and May 3, 6, 13, and 18, 2010. No motions to intervene were filed prior to April 9, 2010, when Public Service Electric and Gas Company ("PSE&G") moved to intervene. This matter was settled prior to a ruling on PSE&G's motion. The Company, Staff and Rate Counsel were therefore the only full parties to this proceeding.

Rate Counsel filed testimony on March 5, 2010 and RECO filed rebuttal testimony on April 1, 2010.

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

over 660 formal discovery requests (not including additional subparts) from Rate Counsel and Staff, and Rate Counsel responded to 70 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 January 13, 2010 at 2:30 and 6:00 p.m., in Mahwah, New Jersey. No customers appeared at the hearings or submitted comments regarding the proposed increase.

The Parties held in-person settlement conferences on March 23, April 8, and 13, 2010, and held several additional telephone settlement conferences.

On April 20, 2010, ALJ McGill was advised that the Parties had reached a settlement in principle and would be submitting a Stipulation for his consideration. ALJ McGill subsequently adjourned the scheduled evidentiary hearings.

The Parties have reviewed the Petition and updates, discovery, the detailed pre-filed testimony, and information exchanged during the period of settlement discussions. It is therefore the intention of the Parties to reasonably, fully and finally resolve this matter, and in consideration of the recitals and mutual promises and covenants set forth herein, the Parties, having given due consideration to the record and information exchanged and the various issues addressed therein, DO HEREBY STIPULATE AND AGREE AS FOLLOWS:

1. 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 \$9.8 million, which equates to an increase in overall revenues of 4.5%, for service rendered on and after the Effective Date, as defined in

Paragraph 2 below. 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 \$9.8 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. The rate base is \$148,642,000.

2. Effective Date. The Parties recommend that the Board 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 May 17, 2010 (the "Effective Date").

3. Rate of Return. The Parties agree that an appropriate return on common equity for this Settlement is 10.3%. The appropriate overall rate of return for this Settlement is 8.21%, based upon a return on common equity of 10.3%. The Parties agree that the capital structure for this Settlement is 49.76% long-term debt, 0.39% short term debt and 49.85% common equity. The capitalization producing the overall rate of return is set forth in Schedule A attached hereto.

4. 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 are set forth in Schedule A.

5. Rates/Tariff. The Parties agree that Schedule B summarizes the revised electric distribution rates to be implemented on the Effective Date. The Parties agree that the revised rates set forth in Schedule B implement the terms of this Stipulation regarding revenue requirements and rates and should be approved by the ALJ and Board as part of their approval of this Stipulation. The Parties agree that Schedule C, Proof of Revenues, attached hereto, demonstrates that the rates to be implemented by RECO on the Effective Date are designed to

produce an additional \$9.8 million in revenues. As a result of this Stipulation, a typical residential customer using 925 kWh per month will receive an annualized monthly increase of approximately \$6.52 or 3.7% on a total revenue basis from \$174.87 to \$181.39.

6. Cost of Service. At the time the Company files its next electric base rate case petition, the Company agrees to provide to the Parties a cost of service study ("COSS") using the Average and Peak methodology (the "A&P COSS"), as outlined below. The Parties agree that this does not constitute RECO's or any other parties' endorsement of that methodology or support for the A&P COSS results or any rate design based thereon. More specifically, in the A&P COSS, the Company will allocate to each rate class, the portion of the distribution plant investment equal to the classes' voltage specific load factor, on each class' relative average demand (energy) at that voltage and the remaining portion on class share of voltage specific Non-Coincident Peak demands. In the A&P COSS, the Company will:

- a. separate those costs allocated on class' energy and demand responsibilities explicitly to the energy and demand functions respectively;
- b. allocate 50% of the overhead (OH) and Underground (UG) Services costs to all rate classes based on their demand responsibilities and 50% based on the energy consumption and classify the resulting allocation to the customer function;
- c. classify accounts 901, 904, 905, and 907 through 917 to the revenue and energy functions (not customer) depending on whether these costs are allocated on revenue or energy basis;
- d. specify for all rate classes how proposed customer, demand and energy charges are determined;
- e. perform a rate design that allocates the requested revenue change in accordance with the classes' cost responsibilities;
- f. provide total company and class specific load and consumption data utilized in the A&P COSS.

The Company and any Party to this Stipulation reserve and retain the right to oppose the methodology or results of the A&P COSS or any rate design based thereon, and to file and support a COSS and/or rate design utilizing any methodology they consider appropriate.

7. Other Tariff Changes. The Parties agree that it is appropriate for the Company to increase the reconnection charge to \$28 and to make certain other changes which will be reflected in the compliance Tariff to be filed pursuant to paragraph 9 below. These changes include, but are not limited to, modification of the Net Metering Rider to reflect the most current version of N.J.A.C. 14:8-4. In addition, all references in the Tariff to the Curtailable Service Rider will be removed.

8. Residential First Block Threshold. The Parties agree to examine in the Company's next base rate case the appropriateness of the residential first block threshold of 250 kWh. The Company and any Party to this Stipulation reserve and retain the right to oppose any change to the Company's current residential first block threshold of 250 kWh, and to file and support any position regarding the Company's current residential first block threshold that they consider appropriate.

9. 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. The revised Tariff shall become effective on the Effective Date.

10. Pension and Other Post-Employment Benefit ("OPEB") Reports. The Company agrees to provide Staff and Rate Counsel with copies of the most recent pension and OPEB Actuarial Valuation Reports developed by its actuary Buck Consultants, within 30

business days of the Company's receipt of such Reports. These Reports include the detailed accounting information used by the Company for financial reporting and detail concerning the actuarial assumptions and methods employed.

11. Depreciation Rates. RECO will implement the depreciation lives and life tables for electric distribution and general plant as shown on Schedule D.

12. Net Salvage. The Parties agree that from April 2007 through December 2009, RECO incurred actual negative net salvage costs (i.e., gross salvage less gross removal costs) of \$2,464,779, which exceeded by \$1,461,029 (the "Net Salvage Deficiency") the Company's net salvage allowance for that period of \$1,003,750 (based on an annual allowance of \$365,000). The Parties agree that RECO shall recover the Net Salvage Deficiency in rates over a five-year amortization period such that RECO annually shall recover \$292,206 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 \$441,133.

13. Storm Reserve. From June 1, 2006 through March 31, 2010, RECO deferred extraordinary storm damage costs of approximately \$4,870,695 (the "Storm Reserve Deficiency") above the Company's storm reserve allowance for that period of \$781,253 based on an annual allowance of \$213,069.¹ The Parties agree that RECO shall recover the Storm Reserve Deficiency in rates over a five-year amortization period such that RECO annually shall recover \$974,139 of the Storm Reserve Deficiency. The Parties agree that the rates established in this Stipulation include an additional annual funding recovery allowance for the storm reserve of \$375,799.

¹ 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.

14. Existing Deferred Costs. The deferred costs, for which recovery was permitted in BPU Docket No. ER02100724 (i.e., Competitive Services Audit, Management Audit Costs, System Reliability Audit, and Ramapo Property Tax refunds), have an unamortized balance of \$18,933 as of April 30, 2010. This amount will be amortized and recovered in rates over three years at the rate of \$6,311 per year.

Deferred pension and OPEB costs for which recovery was also permitted in BPU Docket No. ER02100724 have unamortized balances of \$105,907 and \$23,490 respectively, as of April 30, 2010. These amounts will be amortized and recovered in rates over three years at the rate of \$35,302 per year for pensions and the rate of \$7,830 per year for OPEBs.

As of April 30, 2010, the Company has an unrecovered balance of rate case costs from BPU Docket ER06060483 of \$61,588. The Parties agree that the revenue requirement reflects an allowance of \$15,397 in order to recover this unrecovered balance over four years.

15. New Deferred Costs and Credits. Based on the Board's directive, the Company incurred and deferred \$477,000 of management audit costs in 2009. This amount will be amortized and recovered in rates over four years at the rate of \$119,250 per year.

The Parties agree that the Company will be allowed to recover in rates \$250,000 of rate case costs in the current case. These rate case costs will be amortized and recovered in rates over four years at a rate of \$62,500 per year.

The Parties agree that the refund of over capitalized installation costs for transformers of \$787,128 will be passed back to customers over three years as a credit reflected in the revenue requirement of \$262,376 per year.

16. Universal Service Fund Employee. Prior to the filing of the Petition, the Company hired an employee to administer the Company's Universal Service Fund related

activities. To date, the cost of this employee has not been recovered through base rates and was not included in the Company's test year labor costs in this proceeding. Rather the Company has attempted to recover the costs of this employee through the Company's Societal Benefits Charge ("SBC"). The Parties agree that prospectively, the cost of this employee should be recovered through base rates rather than through the SBC. Accordingly, the rates established in this Stipulation include annual funding for this employee in the amount of \$75,000 plus fringe benefits.

17. Economic Stimulus Program. The Parties agree to withdraw, and by execution of this Stipulation provide notice to the Board of their withdrawal of, the Stipulation they filed with the Board on July 13, 2009 ("Economic Stimulus Stipulation") *In the Matter of the Verified Petition of Rockland Electric Company for Approval of an Economic Stimulus Program and Associated Rate Recovery*, BPU Docket No. EO09010064 ("RECO Economic Stimulus Docket"). The Parties recommend that the Board accept the withdrawal of this Economic Stimulus Stipulation and close the RECO Economic Stimulus Docket.

18. Smart Grid. The Department of Energy has accepted the Company's pilot proposals consisting of two parts: (1) the Accepted Smart Grid Infrastructure Grant ("SGIG") Program, also known as the SGIG Base Electric Delivery System Project and (2) the Accepted Smart Grid Distribution Grant ("SGDG") Program, also known as the SGDG Battery Storage Project. By Order dated April 5, 2010 in Docket No. ER09060459 ("Smart Grid Proceeding"), the Board approved a Stipulation between the Company, Rate Counsel, and Staff ("SGIG Stipulation") providing, among other things, for the establishment of a Smart Grid Surcharge ("SGS") to recover a portion of the prudent, reasonable, and incremental Accepted SGIG Program Costs, subject to prudence review of project costs in the Company's next base rate case

filed following the SGIG Stipulation, but noted that the Accepted SGD Program was not the subject of the SGIG Stipulation. The Parties agree that, consistent with the Board's April 5, 2010 Order, there is a sufficient nexus between this base rate proceeding and the Smart Grid Proceeding, and the approved SGIG Stipulation or a future SGD stipulation to be negotiated among the Parties to the extent it is thereafter approved in the Smart Grid Proceeding, so as to permit RECO to assess and adjust SGS rates that recover Accepted SGIG Program costs and Accepted SGD Program costs in accordance with the Board's orders in the Smart Grid Proceeding.

19. 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, and discovery in this matter.

20. Board Approval. The Parties recommend that the Board issue an Order that adopts this Stipulation and thereby: (1) authorizes RECO to increase its electric distribution rates to achieve an additional \$9.8 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 approve this Stipulation and issue an appropriate written Order reflecting approval of the revenue recovery and rates and charges established herein as soon as practicable following the agenda meeting wherein such approval was rendered so that rates may take effect for service rendered on and after May 17, 2010 or as soon as practicable thereafter. 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.

21. 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.

22. 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.

23. 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. 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 (or non-signatories) 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 or of the Board with respect to any future base rate cases or other proceedings involving the Company, except as specifically set forth herein.

24. 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.

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

26. Execution. This Stipulation may be executed in one or more counterparts.

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

ROCKLAND ELECTRIC COMPANY

By: _____

James C. Meyer, Esq.

RIKER DANZIG SCHERER

HYLAND & PERRETTI LLP

Title: Counsel

Dated: _____

STEFANIE BRAND

Acting Public Advocate of New Jersey and

Director, New Jersey Division of Rate

Counsel

By: _____

Christine Juarez, Esq.

Title: Assistant Deputy Public Advocate

Dated: _____

PAULA DOW,

ATTORNEY GENERAL OF NEW

JERSEY

Attorney for the Staff of the Board of Public

Utilities

By: _____

Alex Moreau, Esq.

Title: Deputy Attorney General

Dated: _____

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ROCKLAND ELECTRIC COMPANY

By: 

James C. Meyer, Esq.

RIKER DANZIG SCHERER
HYLAND & PERRETTI LLP

Title: Counsel

Dated: _____

STEFANIE BRAND

Acting Public Advocate of New Jersey and
Director, New Jersey Division of Rate
Counsel

By: _____

Christine Juarez, Esq.

Title: Assistant Deputy Public Advocate

Dated: _____

PAULA DOW,

ATTORNEY GENERAL OF NEW
JERSEY

Attorney for the Staff of the Board of Public
Utilities

By: 

Alex Moreau, Esq.


Title: Deputy Attorney General

Dated: 05/05/10

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

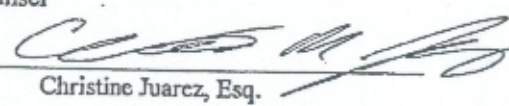
ROCKLAND ELECTRIC COMPANY

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

Title: Counsel

Dated: _____

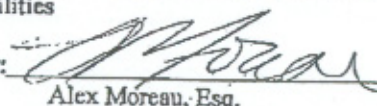
STEFANIE BRAND
Acting Public Advocate of New Jersey and
Director, New Jersey Division of Rate
Counsel

By: 
Christine Juarez, Esq.

Title: Assistant Deputy Public Advocate

Dated: 5/5/10

PAULA DOW,
ATTORNEY GENERAL OF NEW
JERSEY
Attorney for the Staff of the Board of Public
Utilities

By: 
Alex Moreau, Esq.

Title: Deputy Attorney General

Dated: 05/05/10

Rockland Electric Company
Electric Service
Settlement Agreement
Additional Revenue Requirement
For Twelve Months Ending December 31, 2009
(000's)

	(12+0) Test Year Submitted by Company	Settlement Adjustments	Revenue Requirement Increase
Electric Rate Base	\$ 149,529	\$ (887)	\$ 148,642
Overall Rate of Return	<u>8.57%</u>		<u>8.21%</u>
Required Return	12,815	(611)	12,204
Income Available for Return	<u>4,766</u>	<u>1,666</u>	<u>6,432</u>
Deficiency	8,049	(2,277)	5,772
Retention Factor	<u>58.81%</u>		<u>58.82%</u>
Additional Revenue Requirement	<u>\$13,687</u>	<u>(\$3,874)</u>	<u>\$9,813</u>
Rounded	<u>\$ 13,700</u>	<u>\$ (3,900)</u>	<u>\$ 9,800</u>

Rockland Electric Company
Electric Service
Settlement Agreement
Consolidated Capital Structure
For Twelve Months Ending December 31, 2009
(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	\$ 521,503	49.76%	6.16%	3.07%
Short Term Debt	4,044	0.39%	1.50%	0.01%
Common Equity	<u>522,465</u>	<u>49.85%</u>	10.30%	<u>5.13%</u>
Total	<u>\$ 1,048,012</u>	<u>100.00%</u>		<u>8.21%</u>

Rockland Electric Company
Electric Cost of Service
Settlement Agreement
Operating Income, Rate Base & Rate of Return
For the Twelve Months Ended December 31, 2009
(\$000s)

	(12+0) Test Year Submitted by Company	Settlement Adjustments	(12+0) Test Year As Adjusted
<u>Operating Revenues:</u>			
Sales of Electricity	\$200,272		
Other Operating Revenues	460		
Total Operating Revenues	<u>200,732</u>		
<u>Operating Expenses:</u>			
Purchased Power Expense	142,423		
FERC Power Supply Billings / Credits	(493)		
Deferred Purchased Power	(3,458)		
Other	45,386		
Total Operating Expenses	<u>183,858</u>		
Depreciation and Amortization Expense	3,439		
Taxes Other than Income Taxes	<u>7,560</u>		
Total Operating Revenue Deducts	<u>194,857</u>		
Operating Income Before Income Taxes	5,875		
State Income Tax	136		
Federal Income Tax	<u>973</u>		
Operating Income After Income Taxes	<u>\$4,766</u>	<u>\$1,666</u>	<u>\$6,432</u>
Rate Base	<u>\$149,529</u>	<u>\$ (887)</u>	<u>\$148,642</u>
Rate of Return	<u>3.19%</u>		<u>4.33%</u>

Note: Includes the following annual expense amortizations / (refunds):

Net Salvage Deficiency	\$292,206	(\$1,461,029 over 5 Years)
Storm Reserve Deficiency	\$974,139	(\$4,870,695 over 5 Years)
Existing Deferred Costs (Case ER02100724)	\$6,311	(\$18,933 over 3 Years)
Deferred Pension Costs (Case ER02100724)	\$35,302	(\$105,907 over 3 Years)
Deferred OPEB Costs (Case ER02100724)	\$7,830	(\$23,490 over 3 Years)
Rate Case Costs (Case ER06060483)	\$15,397	(\$61,588 over 4 Years)
Management Audit	\$119,250	(\$477,000 over 4 Years)
Rate Case Costs (Case ER09080668)	\$62,500	(\$250,000 over 4 Years)
Transformer Installation (Refund)	(\$262,376)	(\$787,128 over 3 Years)

Rockland Electric Company
Electric Cost of Service
Settlement Agreement
Rate Base
For the Twelve Months Ended December 31, 2009
(\$000s)

	(12+0) Test Year Submitted by Company	Settlement Adjustments	Rate Year Revenue Requirement
TOTAL UTILITY PLANT	\$ 230,491	\$ -	\$ 230,491
TOTAL UTILITY PLANT RESERVES	(56,775)	-	(56,775)
NET PLANT	173,716	-	173,716
 TOTAL ADDITIONS TO NET PLANT	 10,725	 (887)	 9,838
 TOTAL DEDUCTIONS FROM NET PLANT	 (34,911)	 -	 (34,911)
 ELECTRIC RATE BASE	 <u>\$ 149,529</u>	 <u>\$ (887)</u>	 <u>\$ 148,642</u>

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

	Proposed Distribution <u>Excl SUT</u> (a)	Proposed Distribution <u>SUT</u> (b = a * 7%)	Proposed Distribution <u>Incl SUT</u> (c = a + b)
Service Classification No. 2 Secondary			
Customer Charge (\$/mo)	13.08	0.92	14.00
Demand:			
First 5 kW -S (\$/kW)	0.00	0.00	0.00
First 5 kW -W (\$/kW)	0.00	0.00	0.00
Over 5 kW -S (\$/kW)	3.67	0.26	3.93
Over 5 kW -W (\$/kW)	3.15	0.22	3.37
Usage:			
First 4,920 kWh -S (\$/kWh)	0.04078	0.00285	0.04363
First 4,920 kWh -W (\$/kWh)	0.03738	0.00262	0.04000
Over 4,920 kWh -S (\$/kWh)	0.02927	0.00205	0.03132
Over 4,920 kWh -W (\$/kWh)	0.02927	0.00205	0.03132
Service Classification No. 2 Space Heating			
Space Heat -S (\$/kWh)	0.04000	0.00280	0.04280
Space Heat -W (\$/kWh)	0.02583	0.00181	0.02764
Service Classification No. 2 Primary			
Customer Charge (\$/mo)	70.09	4.91	75.00
Demand:			
First 5 kW -S (\$/kW)	0.00	0.00	0.00
First 5 kW -W (\$/kW)	0.00	0.00	0.00
Over 5 kW -S (\$/kW)	3.67	0.26	3.93
Over 5 kW -W (\$/kW)	3.15	0.22	3.37
Usage:			
First 4,920 kWh -S (\$/kWh)	0.03796	0.00266	0.04062
First 4,920 kWh -W (\$/kWh)	0.03482	0.00244	0.03726
Second Block - Summer (\$/kWh)	0.02796	0.00196	0.02992
Second Block - Winter (\$/kWh)	0.02796	0.00196	0.02992
Over 60k or 300HU - Summer (\$/kWh)	0.01796	0.00126	0.01922
Over 60k or 300HU - Winter (\$/kWh)	0.01796	0.00126	0.01922
Service Classification No. 3			
Customer Charge (\$/mo)	4.64	0.32	4.96
Peak -S (\$/kWh)	0.05199	0.00364	0.05563
Peak -W (\$/kWh)	0.04702	0.00329	0.05031
Off Peak - S (\$/kWh)	0.02112	0.00148	0.02260
Off Peak - W (\$/kWh)	0.02112	0.00148	0.02260

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

	Proposed Distribution <u>Excl SUT</u> (a)	Proposed Distribution <u>SUT</u> (b = a * 7%)	Proposed Distribution <u>Incl SUT</u> (c = a + b)
Service Classification No. 5			
Customer Charge (\$/mo)	3.63	0.25	3.88
First 250 kWh - S (\$/kWh)	0.03775	0.00264	0.04039
First 250 kWh - W (\$/kWh)	0.03775	0.00264	0.04039
Next 450 kWh -S (\$/kWh)	0.04326	0.00303	0.04629
Next 450 kWh -W (\$/kWh)	0.03775	0.00264	0.04039
Over 700 kWh -S (\$/kWh)	0.04703	0.00329	0.05032
Over 700 kWh -W (\$/kWh)	0.04409	0.00309	0.04718
Service Classification No. 7 Primary			
Customer Charge (\$/mo)	162.05	11.34	173.39
Demand			
Period I (\$/kW)	2.31	0.16	2.47
Period II (\$/kW)	0.57	0.04	0.61
Period III (\$/kW)	2.12	0.15	2.27
Period IV (\$/kW)	0.57	0.04	0.61
Usage:			
Period I (\$/kWh)	0.01933	0.00135	0.02068
Period II (\$/kWh)	0.01520	0.00106	0.01626
Period III (\$/kWh)	0.01933	0.00135	0.02068
Period IV (\$/kWh)	0.01520	0.00106	0.01626
Service Classification No. 7 High Voltage Distribution			
Customer Charge (\$/mo)	2,060.00	144.20	2,204.20
Demand			
Period I (\$/kW)	0.75	0.05	0.80
Period II (\$/kW)	0.18	0.01	0.19
Period III (\$/kW)	0.69	0.05	0.74
Period IV (\$/kW)	0.18	0.01	0.19
Usage			
Period I (\$/kWh)	0.00473	0.00033	0.00506
Period II (\$/kWh)	0.00426	0.00030	0.00456
Period III (\$/kWh)	0.00473	0.00033	0.00506
Period IV (\$/kWh)	0.00426	0.00030	0.00456
Service Classification No. 7 Space Heating			
Space Heat -S (\$/kWh)	0.03998	0.00280	0.04278
Space Heat -W (\$/kWh)	0.02582	0.00181	0.02763

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

	Proposed Distribution <u>Excl SUT</u> (a)	Proposed Distribution <u>SUT</u> (b = a * 7%)	Proposed Distribution <u>Incl SUT</u> (c = a + b)
<u>Service Classification No. 4</u>			
5800 SV (\$/luminaire/mo.)	6.36	0.45	6.81
9500 SV	6.96	0.49	7.45
16000 SV	8.53	0.60	9.13
27500 SV	11.01	0.77	11.78
46000 SV	17.81	1.25	19.06
16000 SV Offset	16.80	1.18	17.98
27500 SV	14.33	1.00	15.33
46000 SV	20.27	1.42	21.69
1000 OBI	4.25	0.30	4.55
2500 OBI	5.83	0.41	6.24
6000 CB	9.21	0.64	9.85
4000 MV	5.77	0.40	6.17
7900 MV	6.92	0.48	7.40
12000 MV	9.07	0.63	9.70
22500 MV	11.68	0.82	12.50
40000 MV	17.94	1.26	19.20
59000 MV	22.92	1.60	24.52
4000 MV	8.64	0.60	9.24
7900 MV	10.70	0.75	11.45
7900 MV Offset	12.49	0.87	13.36
15 Foot Brackets	0.38	0.03	0.41
Undrg - Co. Owned	13.99	0.98	14.97
Undrg - Cust. Owned	3.40	0.24	3.64

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	-	-	-	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	60	-	1.67
356100	OH COND & DEV - CLEARING	h 2.00	60	-	1.67
357000	UNDERGROUND CONDUIT	h 2.00	50	-	2.00
358000	UG CONDUCTOR AND DEVICES	h 3.50	30	-	3.33
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	40	-	2.50
364000	POLES, TOWERS & FIXTURES	h 1.50	55	-	1.82
365000	OH CONDUCTOR & DEVICES	h 1.50	65	-	1.54
365100	OH COND & DEV - CAPACITORS	h 2.00	30	-	3.33
366000	UNDERGROUND CONDUIT	h 2.00	65	-	1.54
367000	UG CONDUCTOR AND DEVICES	h 2.50	65	-	1.54
367100	UG COND & DEV - CABLE CURE	h 2.50	65	-	1.54
368000	TRANSFORMERS	h 1.00	45	-	2.22
369100	SERVICES - OVERHEAD	h 3.00	55	-	1.82
369200	SERVICES - UNDERGROUND	h 3.50	60	-	1.67
370100	<u>METER PURCHASES</u>				
	ELECTRO-MECHANICAL	h 1.00	35	-	2.86
	SOLID-STATE	h 1.00	20	-	5.00
370200	<u>METER INSTALLATIONS</u>				
	ELECTRO-MECHANICAL	h 1.00	35	-	2.86
	SOLID-STATE	h 1.00	20	-	5.00

ROCKLAND ELECTRIC COMPANY
DEPRECIATION RATES

ACCT	ACCOUNT TITLE	LIFE TABLE	AVERAGE SERVICE LIFE (years)	NET SALVAGE FACTOR (percent)	ANNUAL DEPREC RATE (percent)
370300	<u>DEMAND REC & PURCHASES</u>				
	ELECTRO-MECHANICAL	h 1.00	35	-	2.86
	SOLID-STATE	h 1.00	20	-	5.00
370600	SURGE PROTECTORS	-	-	-	-
371000	INST ON CUSTOMER PREM	h 2.00	50	-	2.00
373100	STREETLIGHTING - OH	h 1.00	40	-	2.50
373200	STREETLIGHTING - UG	h 1.00	40	-	2.50
	<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	h 1.00	50	-	2.00
390103	STRUCT & IMP - SADDLE RIVER	-	-	-	Amort.
391100	OFFICE FURN & EQ - FURNITURE	h 1.00	20	-	5.00
391200	OFFICE FURN & EQ - MACHINES	h 0.50	15	-	6.67
391700	OFFICE FURN & EQ - EDP EQUIP	h 1.50	8	-	12.50
393000	STORES EQUIPMENT	h 2.00	20	-	5.00
394000	TOOLS & WORK EQUIPMENT	h 1.50	20	-	5.00
394200	GARAGE EQUIPMENT	h 1.50	30	-	3.33
395000	LABORATORY EQUIPMENT	h 2.00	25	-	4.00
396000	POWER OPERATED EQUIPMENT	h 2.50	20	-	5.00
397000	COMMUNICATION EQUIPMENT	h 1.50	15	-	6.67
397100	COM EQ - TELE. SYS. COMPUTER	h 1.50	8	-	12.50
397200	COM EQ - TELEPHONES	h 1.50	15	-	6.67
398000	MISCELLANEOUS EQUIPMENT	h 1.50	20	-	5.00
	<u>UNALLOCATED RESERVE</u>				
699010	RESERVE VARIATION AMORTIZATION				
699020	RESERVE VARIATION AMORTIZATION - EXCESS NET SALVAGE				
699030	NET SALVAGE RATE ALLOWANCE				
699040	NET SALVAGE ALLOWANCE TRUE- UP (2006 ERC)				
NEW	NET SALVAGE ALLOWANCE TRUE- UP (2009 ERC)				

(A) Amortizable

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

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

	Proposed Distribution <u>Excl SUT</u> (a)	Proposed Distribution <u>SUT</u> (b = a * 7%)	Proposed Distribution <u>Incl SUT</u> (c = a + b)
Service Classification No. 5			
Customer Charge (\$/mo)	3.63	0.25	3.88
First 250 kWh - S (\$/kWh)	0.03775	0.00264	0.04039
First 250 kWh - W (\$/kWh)	0.03775	0.00264	0.04039
Next 450 kWh -S (\$/kWh)	0.04326	0.00303	0.04629
Next 450 kWh -W (\$/kWh)	0.03775	0.00264	0.04039
Over 700 kWh -S (\$/kWh)	0.04703	0.00329	0.05032
Over 700 kWh -W (\$/kWh)	0.04409	0.00309	0.04718
Service Classification No. 7 Primary			
Customer Charge (\$/mo)	162.05	11.34	173.39
Demand			
Period I (\$/kW)	2.31	0.16	2.47
Period II (\$/kW)	0.57	0.04	0.61
Period III (\$/kW)	2.12	0.15	2.27
Period IV (\$/kW)	0.57	0.04	0.61
Usage:			
Period I (\$/kWh)	0.01933	0.00135	0.02068
Period II (\$/kWh)	0.01520	0.00106	0.01626
Period III (\$/kWh)	0.01933	0.00135	0.02068
Period IV (\$/kWh)	0.01520	0.00106	0.01626
Service Classification No. 7 High Voltage Distribution			
Customer Charge (\$/mo)	2,060.00	144.20	2,204.20
Demand			
Period I (\$/kW)	0.75	0.05	0.80
Period II (\$/kW)	0.18	0.01	0.19
Period III (\$/kW)	0.69	0.05	0.74
Period IV (\$/kW)	0.18	0.01	0.19
Usage			
Period I (\$/kWh)	0.00473	0.00033	0.00506
Period II (\$/kWh)	0.00426	0.00030	0.00456
Period III (\$/kWh)	0.00473	0.00033	0.00506
Period IV (\$/kWh)	0.00426	0.00030	0.00456
Service Classification No. 7 Space Heating			
Space Heat -S (\$/kWh)	0.03998	0.00280	0.04278
Space Heat -W (\$/kWh)	0.02582	0.00181	0.02763

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

	Proposed Distribution <u>Excl SUT</u> (a)	Proposed Distribution <u>SUT</u> (b = a * 7%)	Proposed Distribution <u>Incl SUT</u> (c = a + b)
<u>Service Classification No. 4</u>			
5800 SV (\$/luminaire/mo.)	6.36	0.45	6.81
9500 SV	6.96	0.49	7.45
16000 SV	8.53	0.60	9.13
27500 SV	11.01	0.77	11.78
46000 SV	17.81	1.25	19.06
16000 SV Offset	16.80	1.18	17.98
27500 SV	14.33	1.00	15.33
46000 SV	20.27	1.42	21.69
1000 OBI	4.25	0.30	4.55
2500 OBI	5.83	0.41	6.24
6000 CB	9.21	0.64	9.85
4000 MV	5.77	0.40	6.17
7900 MV	6.92	0.48	7.40
12000 MV	9.07	0.63	9.70
22500 MV	11.68	0.82	12.50
40000 MV	17.94	1.26	19.20
59000 MV	22.92	1.60	24.52
4000 MV	8.64	0.60	9.24
7900 MV	10.70	0.75	11.45
7900 MV Offset	12.49	0.87	13.36
15 Foot Brackets	0.38	0.03	0.41
Undrg - Co. Owned	13.99	0.98	14.97
Undrg - Cust. Owned	3.40	0.24	3.64

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

	Proposed Distribution <u>Excl SUT</u> (a)	Proposed Distribution <u>SUT</u> (b = a * 7%)	Proposed Distribution <u>Incl SUT</u> (c = a + b)
<u>Service Classification No. 6</u>			
5800 SV (\$/luminaire/mo.)	4.33	0.30	4.63
9500 SV	5.23	0.37	5.60
16000 SV	5.71	0.40	6.11
5800 SV	5.93	0.42	6.35
9500 SV	6.56	0.46	7.02
16000 SV	8.12	0.57	8.69
27500 SV	10.53	0.74	11.27
46000 SV	17.32	1.21	18.53
27500 SV	10.53	0.74	11.27
46000 SV	17.32	1.21	18.53
16000 SV Offset	15.57	1.09	16.66
4000 MV	6.64	0.46	7.10
7900 MV	7.81	0.55	8.36
22500 MV	12.71	0.89	13.60
4000 MV	7.26	0.51	7.77
7900 MV	8.45	0.59	9.04
22500 MV	13.41	0.94	14.35
1000 In	5.88	0.41	6.29
2500 In	7.74	0.54	8.28
12000 MV	10.70	0.75	11.45
40000 MV	19.89	1.39	21.28
59000 MV	25.03	1.75	26.78
15 Foot Brackets	0.40	0.03	0.43
<u>Service Classification No. 6</u>			
Customer Charge - Metered	8.22	0.58	8.80
Customer Charge - Unmetered	1.71	0.12	1.83
Energy (kWh) - Summer	0.04625	0.00324	0.04949
Energy (kWh) - Winter	0.04625	0.00324	0.04949

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
33 Washington Street
Newark, New Jersey 07102
(973) 648-6008
(973-648-6058)

Robert J. Giordano, ALJ &
Manager of Organizational Development



NORTH

Date MAY 6 2010

Re: Initial Decisions for Receipt

We are hereby forwarding to you the following decisions from the office of Administrative Law. **Receipt is acknowledged as of the next business day of the date indicated below.** Should a listed decision not be included in this batch, please call 973-648-6008.

OAL Docket No. PUC

Case Name

11407-09

The Verified Petition
OF ROCKLAND ELECTRIC CO.

Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Date:

5-10-2010

[Signature]
Board of Public Utilities