



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE VERIFIED PETITION)
OF ROCKLAND ELECTRIC COMPANY FOR) DECISION AND ORDER
APPROVAL OF AN ENERGY EFFICIENCY) APPROVING STIPULATION
STIMULUS PROGRAM AND ASSOCIATED)
RATE RECOVERY – 2011 ANNUAL TRUE-UP) DOCKET NO. ER11090516

Parties of Record:

Margaret Comes, Esq., Attorney for the Petitioner, Rockland Electric Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

In accordance with the November 23, 2009 Order of the New Jersey Board of Public Utilities (“Board”) in Docket Nos. EO09010056 and EO09010061, on September 1, 2011, the Rockland Electric Company (“RECO” or “Company”) filed for approval of its annual reconciliation of the Company’s over-recovered or under-recovered balances collected through its Regional Greenhouse Gas Initiative (“RGGI”) Surcharge and of a rate adjustment to provide for the revenue requirements associated with Energy Efficiency Stimulus Program (“EES Program”) for the upcoming 12-month period. The matter was assigned Docket No. ER11090516 (“2011 Annual True-up”). By this Order, the Board considers a stipulation intended to resolve the issues raised by this filing.

BACKGROUND/PROCEDURAL HISTORY

By Order dated November 23, 2009 (“November 23 Order”) in Docket Nos. EO09010056 and EO09010061, the Board approved a stipulation establishing an EES Program with three energy efficiency components (“Sub-Programs”) for RECO to be implemented for a one-year period ending December 31, 2010. The total budget for EES Program expenditures approved by the Board was \$990,250, consisting of program investments of \$859,250 and operating and maintenance (“O&M”) expenses of \$131,000. The Company was authorized to recover the costs of the Sub-Programs through a non-bypassable surcharge on all distribution customers (“RGGI Surcharge”), which was initially set at \$0.000167 per kWh, including Sales and Use Tax

("SUT"). The RGGI Surcharge, applicable to all rate schedules on an equal cents per kilowatt-hour basis, is subject to deferred accounting, with interest. It is reconciled and adjusted on an annual basis, incorporating a true-up for any prior period over or under-recoveries and an estimate of the revenue requirements and the forecasted kWh sales to customers during the upcoming year ending December 31, in which a revised RGGI Surcharge will be in effect. As originally approved, the budgeted funding for the EES Program and each Sub-Program was the following:

1 Low Income Audit and Install Sub-Program	\$770,000
2. Residential Enhanced Rebate Sub-Program	\$130,250
On-Line Energy Audit Sub-Program	<u>\$ 90,000</u>
Total EES Program Budget	\$990,250

On September 10, 2010, the Board received RECO's 2010 EES Program Annual True-up in Docket No. ET10090677, which sought to reconcile costs and recoveries under the EES Program for calendar year 2010. On June 15, 2011, the Board authorized the Company to implement a RGGI Surcharge credit of \$0.000047 per kWh, including SUT, to be effective for electric delivery service rendered on or after July 1, 2011.

On March 30, 2011, the Board approved a stipulation, in Docket No. EO10120987, executed by RECO, the New Jersey Division of Rate Counsel ("Rate Counsel") and Board Staff agreeing to the extension of the EES Program through December 31, 2011 or until all remaining budgeted funds were expended, whichever occurs first, and with a close-out period to end on March 31, 2012.

On September 1, 2011, RECO filed its 2011 Annual True-Up in Docket No. ER11090516, requesting an increase in the RGGI Surcharge credit from \$0.000047 to \$0.000053 per kWh including SUT, to be effective as of January 1, 2012. As proposed, the RGGI Surcharge includes two components: (1) a surcharge of 0.0081 cents per kWh related to the Company's estimate of the EES Program revenue requirements for calendar year 2012; and (2) a reconciliation component credit of 0.0134 cents per kWh due to an over-collected balance.

On March 7, 2012, public hearings were held in Mahwah, New Jersey at 4:30 and 5:30 pm. No members of the public appeared at the public hearings.

On March 12, 2012, the Board approved a stipulation in Docket No. EO12020115, executed by RECO, Rate Counsel and Board Staff, agreeing to the extension of the Low Income Audit and Install Sub-Program through December 31, 2012 or until all remaining budgeted funds for the Low Income Audit and Install Sub-Program have been expended, whichever occurs first. Under the terms of the stipulation as approved by the Board, the Company will complete any close-out activities on this Sub-Program by March 31, 2013. RECO will discontinue its Residential Enhanced Rebate Sub-Program and On-Line Energy Audit Sub-Program with scheduled close-out of these Sub-Programs by March 31, 2012.

During the period following the filing of the Company's 2011 Annual True-up, the Company, Rate Counsel, and Board Staff, (collectively, the "Signatory Parties"), have participated in rounds of discovery/settlement requests and responses relating to the 2011 Annual True-up.

The Company updated its filing with actual data through December 31, 2011, and provided data supporting a RGGI surcharge rate that includes the continuation of the Low-Income Audit and Install Sub-Program through December 2012. The Signatory Parties agreed to submit the attached stipulation, executed on March 28, 2012, to the Board for its review and approval.

STIPULATION

A summary of the key provisions of the stipulation follows:¹

1. The Company will implement a RGGI Surcharge credit of \$0.000045 per kWh, including SUT, to be effective with electric delivery service rendered by the Company on the date upon which the Board Order approving this Stipulation is served on the parties of record or on or after May 1, 2012, whichever is later ("Revised RGGI Surcharge"). As set forth in Appendix A attached to this Stipulation, the Revised RGGI Surcharge contains two components: (1) a surcharge of \$0.000091 per kWh, including SUT, related to the Company's estimate of the EES Program's revenue requirement for calendar year 2012; and (2) a reconciliation component credit of \$0.000136 per kWh, including SUT, due to an over-collection balance of \$210,501, including interest.
2. Any over-or under-recovered balances collected through the RGGI Surcharge from January 2012 through December 2012, as well as the associated interest, will be reconciled in the 2012 Annual True-Up filing of the Company.
3. As part of the 2012 Annual True-Up filing, the Company will also provide current cost of debt information correspondent to the debt components of its Weighted Average Cost of Capital ("WACC").

DISCUSSION AND FINDING

The Board has carefully reviewed the 2011 Annual True-up and stipulation in this matter. Accordingly, the Board **HEREBY FINDS** that the stipulation represents a fair and reasonable resolution of the issues and is in public interest. The Board **HEREBY ADOPTS** the attached stipulation as its own, incorporating by reference its terms and conditions as if fully set forth herein.

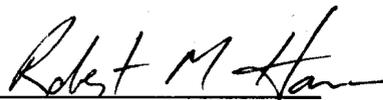
The Board recognizes that approval of the Revised RGGI Surcharge has no impact on the average summer monthly bill of a typical residential customer using 808 kWh since the reduction in the surcharge credit is minimal.

¹ 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 conclusion in this Order.

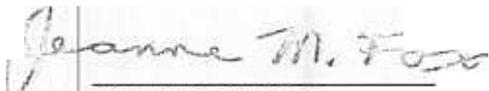
The Board HEREBY DIRECTS the Company to file a revised tariff sheet conforming to the tariff sheet in Appendix B to the stipulation, within ten (10) days of the service of this Order. The rate authorized herein, which remains subject to Board audit, shall be effective for service rendered on or after May 1, 2012.

DATED: 4/11/12

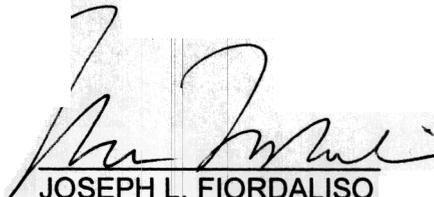
BOARD OF PUBLIC UTILITIES
BY:



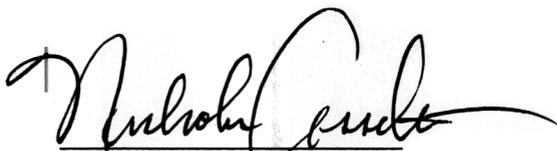
ROBERT M. HANNA
PRESIDENT



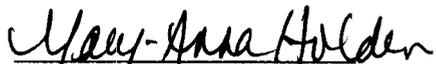
JEANNE M. FOX
COMMISSIONER



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COMMISSIONER



NICHOLAS ASSELTA
COMMISSIONER



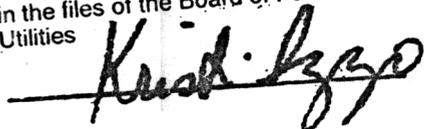
MARY-ANNA HOLDEN
COMMISSIONER

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



IN THE MATTER OF THE VERIFIED PETITION OF ROCKLAND ELECTRIC COMPANY FOR
APPROVAL OF AN ENERGY EFFICIENCY PROGRAM AND ASSOCIATED RATE
RECOVERY – 2011 ANNUAL TRUE-UP

BPU DOCKET NO. ER11090516

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ROCKLAND ELECTRIC COMPANY

Determination of Regional Greenhouse Gas Initiative ("RGGI") Surcharge

Determination of EES Program Reconciliation Adjustment Component of RGGI Surcharge

EES Program Recoveries (January 1, 2011 - December 31, 2011)	(\$100,558)
EES Program Revenue Requirement	93,704
Prior Period Reconciliation (Over)/Under Recovery - See Page 3	<u>(202,400)</u>
EES Program (Over)/Under Recovery Balance	(209,254)
Interest (Over)/Under Recovery Balance	<u>(1,247)</u>
Total EES Program (Over)/Under Recovery Balance for 12 ME 12/31/2011	(210,501)
Projected Sales (kWh) 12 months ending December 31, 2012	1,651,320,000
\$ per kWh Reconciliation to be (Refunded)/Surcharged	(\$0.000127)
Sales and Use Tax ("SUT")	1.07
EES Program Reconciliation Adjustment	(\$0.000136)

Determination of Forecast EES Program Component of RGGI Surcharge

Revenue Requirement for 12 Months Ending December 31, 2012	\$140,695
Projected Sales (kWh) 12 months ending December 31, 2012	1,651,320,000
\$ per kWh Projected Spending to be (Refunded)/Surcharged	\$0.000085
Sales and Use Tax ("SUT")	1.07
EES Program Charge	\$0.000091

RGGI Surcharge

Proposed RGGI Surcharge Excluding SUT (\$ per kWh)	(\$0.000042)
Proposed RGGI Surcharge Including SUT (\$ per kWh)	(\$0.000045)

ROCKLAND ELECTRIC COMPANY

Calculation of Over/Under Recovery Associated with EES Program Component of RGGI Surcharge

		<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>				<u>Total</u>
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual				
1. Determination of (Over)/Under Recovered Balance													
Revenue Requirement @ WACC = 8.21%	\$4,609	\$6,734	\$6,409	\$8,145	\$8,175	\$8,036	\$8,547	\$7,818	\$8,006	\$8,959	\$7,977	\$10,289	\$93,704
Prior Period Reconciliation Adj. ¹	(202,400)												(202,400)
Monthly Recoveries ²	(22,049)	(20,450)	(19,467)	(18,145)	(17,708)	(23,108)	249,105	(84,102)	6,505	(94,335)	(41,839)	(14,967)	(\$100,558)
(Over)/Under Recovery	<u>(\$219,840)</u>	<u>(\$13,716)</u>	<u>(\$13,057)</u>	<u>(\$10,000)</u>	<u>(\$9,533)</u>	<u>(\$15,073)</u>	<u>\$257,653</u>	<u>(\$76,284)</u>	<u>\$14,512</u>	<u>(\$85,377)</u>	<u>(\$33,862)</u>	<u>(\$4,677)</u>	<u>(\$209,254)</u>
2. Determination of Interest													
(Over)/Under Recovery	<u>(\$219,840)</u>	<u>(\$13,716)</u>	<u>(\$13,057)</u>	<u>(\$10,000)</u>	<u>(\$9,533)</u>	<u>(\$15,073)</u>	<u>\$257,653</u>	<u>(\$76,284)</u>	<u>\$14,512</u>	<u>(\$85,377)</u>	<u>(\$33,862)</u>	<u>(\$4,677)</u>	<u>(\$209,254)</u>
Beginning Balance - (Over)/Under Recovery	(\$202,400)	(\$219,840)	(\$233,556)	(\$246,613)	(\$256,613)	(\$266,146)	(\$281,218)	(\$23,566)	(\$99,850)	(\$85,338)	(\$170,715)	(\$204,577)	
Ending Balance (Over)/Under Recovery	<u>(\$219,840)</u>	<u>(\$233,556)</u>	<u>(\$246,613)</u>	<u>(\$256,613)</u>	<u>(\$266,146)</u>	<u>(\$281,218)</u>	<u>(\$23,566)</u>	<u>(\$99,850)</u>	<u>(\$85,338)</u>	<u>(\$170,715)</u>	<u>(\$204,577)</u>	<u>(\$209,254)</u>	
Average Balance (Over)/Under	(\$211,120)	(\$226,698)	(\$240,085)	(\$251,613)	(\$261,380)	(\$273,682)	(\$152,392)	(\$61,708)	(\$92,594)	(\$128,026)	(\$187,646)	(\$206,915)	
Average Balance (Over)/Under - Net of Tax	(\$124,877)	(\$134,092)	(\$142,010)	(\$148,829)	(\$154,606)	(\$161,883)	(\$90,140)	(\$36,500)	(\$54,769)	(\$75,728)	(\$110,992)	(\$122,390)	
Interest Rate (Annual) ³	1.21%	1.21%	1.26%	1.40%	1.21%	1.04%	1.10%	0.98%	0.79%	0.84%	0.83%	0.87%	
Interest Rate (Monthly)	0.10%	0.10%	0.11%	0.12%	0.10%	0.09%	0.09%	0.08%	0.07%	0.07%	0.07%	0.07%	
Interest (To Customer) /To Company	(\$126)	(\$135)	(\$149)	(\$174)	(\$156)	(\$140)	(\$83)	(\$30)	\$36	(\$53)	(\$77)	(\$89)	(\$1,247)
												Total (Over)/Under Collection Including Interest	<u>(\$210,501)</u>

Notes: ¹ Over recovery for the period January 1, 2010 through December 31, 2010 per Attachment 1, Page 4 of 12 of EES Program Stipulation of Settlement dated June 1, 2011, in Docket No. ET10090677 adopted by the Board in its Order dated June 15, 2011.

² Monthly Recoveries for July 2011 include a billing error resulting in customers receiving a credit of 0.47 ¢/kWh instead of the correct rate of 0.0047 ¢/kWh.

³ Federal Reserve Board US Treasury Securities at two year constant maturity plus 60 basis points. Interest calculated on a net-of-tax basis.

ROCKLAND ELECTRIC COMPANY

Monthly Actual Revenue Summary by Service Classification of the EES Program Component of the RGGI Surcharge

<u>SC No.</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Total</u>
1	\$10,541.99	\$8,980.77	\$8,342.27	\$7,841.48	\$7,599.39	\$11,361.73	-\$131,997.41	-\$3,925.85	-\$3,335.71	-\$2,773.93	-\$2,147.56	-\$2,461.42	-\$91,974.25
2	8,938.89	9,116.01	8,926.60	8,229.46	7,956.38	9,351.84	-60,451.40	24,610.67	-2,573.46	-2,446.44	-2,280.33	-2,428.12	\$6,950.10
3	5.04	4.43	4.49	3.20	2.80	3.94	-39.84	-1.24	-0.94	-0.82	-0.94	-1.11	-\$20.99
4	112.56	94.49	93.59	79.08	72.53	65.20	-1,968.03	-22.03	-24.26	-28.38	-30.13	-32.61	-\$1,587.99
5	341.87	301.92	249.40	210.73	162.19	199.91	-1,394.47	-68.82	-63.92	-51.58	-55.95	-60.16	-\$228.88
6	84.47	73.52	71.47	72.91	69.80	68.44	-449.42	-13.96	-2.54	-25.21	-27.42	-25.01	-\$102.95
7	<u>3,567.16</u>	<u>3,310.88</u>	<u>3,141.35</u>	<u>2,977.92</u>	<u>3,084.02</u>	<u>3,674.69</u>	<u>-70,242.29</u>	<u>69,410.10</u>	<u>-959.55</u>	<u>-1,021.68</u>	<u>-846.84</u>	<u>-920.18</u>	<u>\$15,175.58</u>
Total	\$23,591.98	\$21,882.02	\$20,829.17	\$19,414.78	\$18,947.11	\$24,725.75	-\$266,542.86	\$89,988.87	-\$6,960.38	-\$6,348.04	-\$5,389.17	-\$5,928.61	-\$71,789.38
RGGI Correction	<u>\$0.00</u>	<u>\$107,286.83</u>	<u>\$50,156.98</u>	<u>\$21,942.78</u>	<u>\$179,386.59</u>								
Total Excluding SUT	\$22,048.58	\$20,450.49	\$19,466.51	\$18,144.65	\$17,707.58	23,108.18	-\$249,105.48	\$84,101.75	-\$6,505.03	\$94,335.32	\$41,839.07	\$14,966.51	\$100,558.14

ROCKLAND ELECTRIC COMPANY

**EES Program Component of RGGI Surcharge
Basic Assumptions**

	60 Months	60 Months
Amortization Period		
Equity Ratio	49.85%	49.85%
Return on Equity	10.30%	10.30%
Equity Component	5.13%	5.13%
After-Tax WACC	8.21%	8.21%
Effective Tax Rate	40.92%	40.92%
Interest Expense	3.07%	3.07%

ROCKLAND ELECTRIC COMPANY

**EES PROGRAM COMPONENT OF RGGI SURCHARGE
PROGRAM SPENDING**

	<u>Jan-11</u> <u>Actual</u>	<u>Feb-11</u> <u>Actual</u>	<u>Mar-11</u> <u>Actual</u>	<u>Apr-11</u> <u>Actual</u>	<u>May-11</u> <u>Actual</u>	<u>Jun-11</u> <u>Actual</u>	<u>Jul-11</u> <u>Actual</u>	<u>Aug-11</u> <u>Actual</u>	<u>Sep-11</u> <u>Actual</u>	<u>Oct-11</u> <u>Actual</u>	<u>Nov-11</u> <u>Actual</u>	<u>Dec-11</u> <u>Actual</u>	<u>Total</u>
<u>Program Implementation Spending</u>													
USF Low Income Direct Install	(\$1,304)	\$9,681	(\$20)	\$5,500	\$2,750	\$13,750	(\$11,000)	\$2,750	\$2,750	\$0	(\$18,979)	\$14,833	\$20,712
Enhanced HVAC Rebates	0	472	210	1,598	593	327	494	262	393	646	449	539	5,981
Personal Energy Profile - On line	0	0	0	0	494	0	0	\$0	\$0	\$0	\$0	0	494
<u>Program Incentive (Customer)</u>													
USF Low Income Direct Install	0	64,377	0	33,650	0	0	0	\$22,994	\$5,367	\$25,737	\$5,397	26,995	\$184,518
Enhanced HVAC Rebates	750	2,250	12,890	3,750	(90)	0	750	1,500	4,500	2,250	0	1,500	30,050
Personal Energy Profile - On line	0	0	0	0	0	0	0	\$0	\$0	\$0	\$0	0	0
Total Program Spending	(554)	76,780	13,080	44,498	3,746	14,077	(9,756)	27,506	13,010	28,633	(13,133)	43,867	241,754
<u>O&M Spending</u>													
<u>Administration</u>													
USF Low Income Direct Install	\$219	\$673	\$821	\$1,388	\$1,292	\$912	\$1,399	\$529	\$601	\$682	\$520	\$848	\$9,884
Enhanced HVAC Rebates	1,101	1,070	327	524	593	547	818	372	228	491	0	1,037	7,109
Personal Energy Profile - On line	0	0	0	0	0	0	0	\$0	\$0	\$0	\$0	0	0
Total	1,321	1,743	1,148	1,911	1,885	1,459	2,217	901	829	1,173	520	1,885	16,993
<u>Marketing</u>													
USF Low Income Direct Install	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enhanced HVAC Rebates	0	0	0	0	0	0	0	0	0	0	0	0	0
Personal Energy Profile - On line	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Evaluation</u>													
USF Low Income Direct Install	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enhanced HVAC Rebates	0	0	0	0	0	0	0	0	0	0	0	0	0
Personal Energy Profile - On line	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Total O&M</u>													
USF Low Income Direct Install	\$219	\$673	\$821	\$1,388	\$1,292	\$912	\$1,399	\$529	\$601	\$682	\$520	\$848	\$9,884
Enhanced HVAC Rebates	1,101	1,070	327	524	593	547	818	372	228	491	0	1,037	7,109
Personal Energy Profile - On line	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,321	1,743	1,148	1,911	1,885	1,459	2,217	901	829	1,173	520	1,885	16,993
<u>Total Spending</u>													
USF Low Income Direct Install	(\$1,084)	\$74,732	\$801	\$40,538	\$4,042	\$14,662	(\$9,601)	\$26,272	\$8,718	\$26,420	(\$13,062)	\$42,676	\$215,114
Enhanced HVAC Rebates	1,851	3,792	3,427	5,871	1,095	874	2,062	2,134	5,121	3,387	449	3,076	43,140
Personal Energy Profile - On line	0	0	0	0	494	0	0	0	0	0	0	0	494
Total	767	78,524	4,228	46,410	5,631	15,536	(7,539)	28,407	13,839	29,807	(12,613)	45,752	258,747

Case ER09080668
Rockland Electric Company
Electric Service
Settlement Agreement
Consolidated Capital Structure
For Twelve Months Ending December 31, 2009
(000's)

	Amount (\$000's)	Ratio	Cost Rate	Weighted Average Ratio	Weighted Average Ratio
Long Term Debt	\$ 521,503	49.76%	6.16%	3.07%	3.07%
Short Term Debt	4,044	0.39%	1.50%	0.01%	0.01%
Common Equity	522,465	49.85%	10.30%	5.13%	8.69%
Total	\$ 1,048,012	100%		8.21%	11.76%

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE

The RGGI Surcharge shall be applied to the kWh usage on the bills of all customers served under this Schedule. The RGGI Surcharge shall include the costs related to the Company's Energy Efficiency Stimulus Program ("EES Program").

The RGGI Surcharge to be effective on and after the date indicated below shall be set at (0.0045) cents per kWh, including sales and use tax ("SUT"),

The EES Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the EES Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the EES Program and actual recoveries through the EES Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On September 1 of each year, the Company shall file with the Board the EES Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following January 1. The EES Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted EES Program revenue requirement over the twelve-month period commencing the following January 1.

Interest will be included in the deferred balance for both an over-collection and for an under-collection for the EES Program component of the RGGI Surcharge and will be calculated as determined by the Board in its Order dated October 21, 2008 in Docket Number ER08060455.

ISSUED:

EFFECTIVE

ISSUED BY: William Longhi, President
Mahwah, New Jersey 07430

GENERAL INFORMATION

No. 34 REGIONAL GREENHOUSE GAS INITIATIVE ("RGGI") SURCHARGE

The RGGI Surcharge shall be applied to the kWh usage on the bills of all customers served under this Schedule. The RGGI Surcharge shall include the costs related to the Company's:

- ~~(a) Demand Response Working Group Modified Program ("DRWG Program"); and~~
- ~~(b) Energy Efficiency Stimulus Program ("EES Program").~~

The RGGI Surcharge to be effective on and after the date indicated below shall be set at ~~(0.00470045)~~ cents per kWh, including sales and use tax ("SUT"). ~~The RGGI Surcharge includes the following rate components:~~

	RGGI Surcharge Rate Components (Cents per kWh)	
	Excluding SUT	Including SUT
EES Program	0.0084	0.0087
EES/DRWG Reconciliation	(0.0125)	(0.0134)
Total RGGI Surcharge	(0.0044)	(0.0047)

(1) DRWG Program

~~The DRWG Program component of the RGGI Surcharge was in effect from June 1, 2009 through September 30, 2009. The difference between the actual monthly costs associated with the DRWG Program and actual recoveries through the DRWG Program component of the RGGI Surcharge has been deferred, with interest, for future recovery through the RGGI Surcharge.~~

(2) EES Program

The EES Program component of the RGGI Surcharge will be subject to deferred accounting, with interest, and reconciled annually by comparing the actual amounts subject to recovery to the actual amounts collected. Any difference will be included in the EES Program component of the following year's RGGI Surcharge. The difference between the actual monthly revenue requirement associated with the EES Program and actual recoveries through the EES Program component of the RGGI Surcharge will be deferred, with interest, for future recovery.

On September 1 of each year, the Company shall file with the Board the EES Program component of the RGGI Surcharge to be effective for the twelve-month period commencing the following January 1. The EES Program component of the RGGI Surcharge shall be set to recover any prior period over- or under-recovered balances, including interest, and to provide current recovery of the forecasted EES Program revenue requirement over the twelve-month period commencing the following January 1.

Interest will be included in the deferred balance for both an over-collection and for an under-collection for both the DRWG and EES Program components of the RGGI Surcharge and will be calculated as determined by the Board in its Order dated October 21, 2008 in Docket Number ER08060455.

ISSUED:

EFFECTIVE

ISSUED BY: William Longhi, President
Mahwah, New Jersey 07430

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

**I/M/O THE VERIFIED PETITION OF
ROCKLAND ELECTRIC COMPANY FOR
APPROVAL OF AN ENERGY
EFFICIENCY STIMULUS PROGRAM AND
ASSOCIATED RATE RECOVERY**

BPU DOCKET NO. ER11090516

**STIPULATION
2011 ANNUAL TRUE-UP**

APPEARANCES:

Margaret Comes, Attorney for the Petitioner, Rockland Electric Company

Paul Flanagan, Esq., Litigation Manager, Felicia Thomas-Friel, Esq., Deputy Rate Counsel and **Kurt S. Lewandowski, Esq., Assistant Deputy Rate Counsel**, Division of Rate Counsel (**Stefanie A. Brand**, Director)

Carolyn McIntosh and Alex Moreau, Deputy Attorneys General, for Staff of the New Jersey Board of Public Utilities (**Jeffrey S. Chiesa**, Attorney General of New Jersey)

TO THE HONORABLE NEW JERSEY BOARD OF PUBLIC UTILITIES

It is hereby AGREED, as of the 28th day of March, 2012, by and among Rockland Electric Company (“RECO” or the “Company”), the Staff of the New Jersey Board of Public Utilities (“Staff”), and the Division of Rate Counsel (“Rate Counsel”) (referred to collectively as the “Signatory Parties”) to execute this Stipulation of Settlement (“Stipulation”) for the recovery of costs relating to RECO’s Energy Efficiency Stimulus Program (“EES Program”).

The Signatory Parties do hereby join in recommending that the New Jersey Board of Public Utilities (“Board”) issue an appropriate Order approving this Stipulation, including the attachments and the proposed amendments to RECO’s electric service tariff as set forth herein.

BACKGROUND

1. On February 20, 2009, RECO filed a Petition in Docket Nos. EO09010056 and EO09010061, pursuant to the statutory requirements of the Regional Greenhouse Gas Initiative (“RGGI”) Act, as codified in N.J.S.A. 48:3-98.1. RECO’s Petition sought Board approval to implement a three-year EES Program and recover program costs and revenue requirements through the Company’s RGGI Surcharge.

2. After extensive discovery, discussions and negotiations, RECO, Rate Counsel and Staff executed a Stipulation on November 19, 2009 (“November 2009 Stipulation”) setting forth the three components of the one-year EES Program (“Sub-Programs”) and associated cost recovery mechanism that RECO would implement. Detailed descriptions of the three sub-Programs were set forth in Attachment 2 to the November 2009 Stipulation.

3. The November 2009 Stipulation provided that RECO will recover the net revenue requirements associated with the EES Program via a non-by passable surcharge on all distribution customers (“RGGI Surcharge”). The RGGI Surcharge will be applicable to all rate schedules on an equal cents per kilowatt-hour basis for recovery of costs associated with the EES Program. The RGGI surcharge will be subject to deferred accounting, with interest, and reconciled annually. The initial RGGI Surcharge was based on estimated EES Program revenue requirements from January 1, 2010 to December 31, 2010 and a forecast of the company’s kWh deliveries to customers during the twelve month period ending December 31, 2010. Thereafter, the RGGI Surcharge will be adjusted on an annual basis incorporating a true-up for any prior period over-or under-recoveries, an estimate of the revenue requirements for the upcoming year, and the forecasted kWh deliveries to customers during the upcoming year in which the revised RGGI Surcharge will be in effect.

4. The November 2009 Stipulation provided that the EES program revenue requirements recovered through the RGGI Surcharge will be calculated to include a return on investment and a return of investment through amortization of the associated regulatory asset over 60 months or five years. The initial RGGI Surcharge calculation was based on the Weighted Average Cost of Capital (“WACC”) used to set rates in the Company’s 2007 rate case, BPU Docket No. ER06060483, which was 7.83%, (10.97% on a pre-tax basis) based upon a return on equity of 9.75%. The November 2009 Stipulation further provided that any change in WACC authorized by the Board in a subsequent base rate case including the Company’s 2010 base rate case, BPU Docket No. ER09080668, will be reflected in the subsequent monthly revenue requirement and interest calculations. Any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the next scheduled annual true-up but in any event, no later than January 1 of the subsequent year.

5. The November 2009 Stipulation also provided that in calculating the monthly interest on net over- and under-recoveries, the interest rate shall be based upon the rate as determined by the Board in its Order dated October 21, 2008 in Docket No. ER08060455. As set forth in that Order, the interest rate shall be the interest rate based on two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which rates are published), plus 60 basis points, but shall not exceed RECO’s pre-tax WACC as identified in Paragraph 4 above. The interest rate shall be reset each month using the methodology set forth in the November 2009 Stipulation.

6. By Decision and Order Approving Stipulation dated November 23, 2009 (“November 2009 Order”) in Docket Nos. EO09010056 and EO09010061, the Board approved.

the November 2009 Stipulation. The total budget for EES Program expenditures approved by the Board was \$990,250, consisting of program investments of \$859,250 and operating and maintenance expenses of \$131,000. The following constitute the Sub-Programs and the budgeting funding:

Low Income Audit and Install Sub-Program	\$770,000
Residential Enhanced Rebate Sub-Program	\$130,250
On-Line Energy Audit Sub-Program	<u>\$ 90,000</u>
Total EES Program Budget	\$990,250

7. The November 2009 Order initially set the RGGI surcharge at \$0.000167 per kWh, including Sales and Use Tax (“SUT”).

8. On August 31, 2010, RECO filed with the Board its 2010 RGGI surcharge petition (“2010 Annual True-Up”), in Docket No. ET10090677 in order to reconcile costs and recoveries for calendar year 2010. As directed by the Board in its Order dated February 17, 2010, in Docket No. EO08050326, the Company included in the 2010 Annual True-up the final reconciliation of the Demand Response Working Group (“DRWG Program”) component of the RGGI Surcharge.

9. By letter petition dated December 9, 2010, the Company requested an extension (“Extension Request”) of the EES Sub-Programs through December 2011, or until all budgeted funds have been expended, whichever comes first. On March 10, 2011, the Company, Rate Counsel and Staff executed a Stipulation (“March 2011 Stipulation”) agreeing to the extension of the EES Sub-Programs. The Board approved the Stipulation in its Decision and Order Approving Stipulation dated March 30, 2011 in Docket No. EO10120987.

10. After extensive discovery, review, and discussion of the Company's 2010 Annual True-Up and updates provided by the Company, on June 1, 2011, the Parties executed a Stipulation ("June 2011 Stipulation") implementing a RGGI Surcharge credit of \$0.000047 per kWh, including SUT, to be effective on or after July 1, 2011. The June 2011 Stipulation and RGGI Surcharge credit of \$0.000047, including SUT, was approved by the Board in its Decision and Order Approving Stipulation dated June 15, 2011 in Docket No. ET10090677.

1 On September 1, 2011, RECO filed with the Board its 2011 RGGI Surcharge Annual True-Up ("2011 Annual True-Up") in Docket No. ER11090516 requesting an increase in the credit from \$0.000047 to \$0.000053 per kWh.

12. While RECO has implemented each of the three EES Sub-Programs, there has been a lack of customer interest in the Residential Enhanced Rebate Sub-Program but continued interest in the Low-Income Audit and Install Sub-Program. Therefore, on February 1, 2012, the Company filed a letter petition ("2012 Extension Request") requesting an extension through December 2012, or until all budgeted funds have been expended, whichever came first, of the Low-Income Audit and Install Sub-Program. The 2012 Extension Request stated that, because of lack of customer interest, the Company was not requesting an extension of the Residential Enhanced Rebate Sub-Program. The 2012 Extension Request also stated that the Company implemented the On-Line Energy Audit Sub-Program, and the vendor selected by the Company, Apogee interactive, has established the online program. The Company stated that it will continue the functionality of the On-Line Energy Audit Sub-Program on the Company's website and is not seeking a further extension of this sub-program.

13. The 2012 Extension Request did not propose to increase the Company's RGGI Surcharge or to modify the rate proposed in the 2011 Annual True-Up.

14 On March 7, 2012, public hearings were held in Mahwah, New Jersey at 4:30 and 5:30 pm. No members of the public appeared at the public hearings.

15 On March 8, 2012, the Company, Rate Counsel and Staff executed a Stipulation (“March 2012 Stipulation”) in which Rate Counsel did not oppose the Company’s 2012 Extension Request and Staff supported the Extension Request. The Board issued an Order on March 12, 2012 approving the March 2012 Stipulation and authorized the extension of the Low-Income Audit and Install Sub-Program through December 2012, or until all budgeted funds have been expended, whichever occurs first. The Board further directed the Company that any request for further extension of the EES Program shall conform to the requirements of the Board’s May 12, 2008 Order in Docket No. EO08030164, unless otherwise ordered by the Board.

16. During the period following the filing of the Company’s 2011 Annual True-up until the execution of this Stipulation, the Signatory Parties participated in a number of settlement conferences and the Company responded to various discovery requests and updated its filing with actual data through December 31, 2011. The Company also provided data supporting a RGGI surcharge rate if the Low-Income Audit and Install Sub-Program is continued through December 2012. The Signatory Parties agree to submit this Stipulation to the Board for its review and approval, the terms of which are set forth herein. Specifically, the Signatory Parties hereby **STIPULATE AND AGREE** as follows:

STIPULATED MATTERS

A. RGGI Surcharge

17. The Signatory Parties agree that the Company will implement a RGGI Surcharge credit of \$0.000045 per kWh, including SUT, to be effective with electric delivery service rendered by the Company on the date upon which the Board Order approving this Stipulation is

served on the parties of record or on or after May 1, 2012, whichever is later. As set forth in Appendix A attached to this Stipulation, the RGGI Surcharge contains two components: (1) a surcharge of \$0.000091 per kWh, including SUT, related to the Company's estimate of the EES Program's revenue requirement for calendar year 2012; and (2) a reconciliation component credit of \$0.000136 per kWh, including SUT, due to an over-collection balance of \$210,501

18 Any over-or under-recovered balances collected through the RGGI Surcharge from January 2012 through December 2012, as well as the associated interest, will be reconciled in the 2012 Annual True-Up filing of the Company.

19. The Signatory Parties agree that the proposed rates, as set forth in the tariff sheets in Appendix B, attached hereto are just and reasonable and RECO is authorized to implement the proposed rates on the date upon which the Board Order approving this Stipulation is served on the parties of record or on or after May 1, 2012, whichever is later.

B. Rate Impact

20. If the Board approves this Stipulation, a RGGI Surcharge credit will be set at \$0.000045 per kWh, including SUT (\$0.000042 per kWh without SUT), as set forth in Appendix A which would be in effect until changed by the Board. The RGGI surcharge credit will result in an increase resulting from the lower credit but because of its de minimis change the monthly rate impact on the bill will be \$0.0 or 0.0% for a typical residential customer using 808 kWh per summer month, and 7,800 kWh on an annual basis, would see no increase in their annual bill.

C. Future Filings

¹ Although the Company will cease offering the Sub-Program no later than December 31, 2012, the EES Program component of the RGGI Surcharge will continue since the EES Program revenue requirements are recovered through amortization of the regulatory asset over 60 months. As indicated on page 8 in Appendix A, the cumulative program spending for use in the calculation of the revenue requirement by end of December 2012 is estimated at \$613,293.

21. In its September 2012 RGGI Surcharge Annual True-Up petition, the Company will also provide current cost of debt information corresponding to the debt components of its WACC.

CONCLUSION

22. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board, in any applicable Order(s), then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

23. It is the intent of the Signatory Parties that the provisions hereof be approved by the Board as being in the public interest. The Signatory Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

24. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings.

25. Except as expressly provided herein, the Company, Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item. The Signatory Parties further agree that this Stipulation is in no way binding upon them and shall not be asserted in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Signatory Parties hereto do respectfully submit this Stipulation and request that the Board issue an appropriate Order approving it in its entirety, in accordance with the terms hereof.

ROCKLAND ELECTRIC COMPANY
Petitioner

By: Margaret Comes
Margaret Comes
Attorney for Rockland Electric Company

DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR

By: Kurt S. Lewandowski
Kurt S. Lewandowski, Esq.
Asst. Deputy Rate Counsel

STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES
JEFFREY S. CHIESA
ATTORNEY GENERAL OF NEW JERSEY

By: Alex Moreau
Alex Moreau
Deputy Attorney General