



Agenda Date: 3/29/19
Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF FERC APPROVED CHANGES TO)	DECISION AND ORDER
ROCKLAND ELECTRIC COMPANY TRANSMISSION)	APPROVING CHANGES IN
RATE PURSUANT TO PARAGRAPHS 15.9 OF THE)	FIRM TRANSMISSION
BGS-RSCP AND BGS-CIEP SUPPLIER MASTER)	SERVICE RELATED
AGREEMENTS AND TARIFF FILING REFLECTING)	CHARGES
CHANGES TO SCHEDULE 12 CHARGES IN PJM)	
OPEN ACCESS TRANSMISSION TARIFF)	DOCKET NO. ER18111242

Parties of Record:

Margaret Comes, Esq., on behalf of Rockland Electric Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

Background and Procedural History

On January 26, 2017, in a filing (“RECO FERC Proceeding”) made by Rockland Electric Company (“RECO” or “Company”) with the Federal Energy Regulatory Commission (“FERC”), the Company requested an increase in its annual transmission revenue requirement, as set forth on Schedule H-12 of PJM Interconnection LLC’s (“PJM”) Open Access Transmission Tariff (“PJM OATT”), from \$11,785,928 to \$19,661,232. In addition, the Company requested an increase in its PJM OATT Schedule 1A scheduling, system control, and dispatch (“SSC&D”) rate from \$0.2475/MWh to \$0.5351/MWh.¹

On March 28, 2017, under FERC Docket No. ER17-856-000, RECO’s proposed PJM OATT tariff revisions containing the requested revenue requirement change and change in the SSC&D rate were accepted by FERC and became effective April 3, 2017, subject to refund upon a Final FERC Order.

On September 6, 2017, RECO filed an offer of settlement (“RECO FERC Settlement”) concerning RECO’s proposed annual transmission revenue requirement, transmission rates, return on equity, and Schedule 1A services rate that resolved all issues in dispute in the RECO

¹ The requested increase in the revenue requirement and SSC&D rate was only applicable to customers served in the Company’s Eastern Division (i.e. customers located in areas where their load is directly connected with PJM). In contrast, the load of those customers in the Company’s Central and Western Divisions is directly connected with the New York Independent System Operator.

FERC Proceeding. On October 10, 2017, the settlement judge certified the RECO FERC Settlement to FERC as uncontested. By letter order dated November 29, 2017, FERC approved the RECO FERC Settlement.

By Order ("December 2017 Order") dated December 19, 2017, the New Jersey Board of Public Utilities ("Board") authorized RECO to implement the changes to the retail transmission rates requested by RECO for its transmission charges resulting from the FERC-approved changes to the transmission charges, effective as of January 1, 2018. The December 2017 Order approved a final revenue requirement of \$17,724,263.

2018 FERC Proceeding

On March 15, 2018, FERC issued an Order to Show Cause ("Show Cause Order") in FERC Docket No. EL18-111 to implement the recently passed Tax Cut and Jobs Act of 2017, which reduced the maximum federal corporate income tax rate from 35% to 21%. Specifically, FERC ordered RECO and certain other electric utilities with stated transmission rates to:

either (1) propose revisions to its stated transmission rates under its open access transmission tariff or transmission owner tariff on file with the Commission to reflect the recent change in the federal corporate income tax rate and describe the methodology used for making those revisions, or (2) show cause why it should not be required to do so.

In response to the Show Cause Order, on May 14, 2018, RECO submitted a filing² ("May 14 Filing") to FERC, which revised its stated transmission rates to reflect the reduction in the maximum corporate tax rate, and which described the methodology RECO used to calculate its revised transmission rates. Specifically, in the May 14 Filing, RECO proposed a decrease in: (a) the Attachment H-12 transmission revenue requirement ("TRR") from \$17,724,263 to \$16,833,707 and (b) the Network Integration Transmission Service ("NITS") rate from \$44,799 per megawatt per year to \$42,458 per megawatt per year. The Company used the same methodology that it used in the RECO FERC Proceeding.

November 2018 Petition

On November 14, 2018, RECO filed the instant petition ("November 2018 Petition") with the Board seeking to establish the methodology by which it will translate the final transmission rate into the retail rates that will be paid by RECO's customers for transmission service. At the time of the filing, RECO had not received an Order from FERC approving the methodology or the new transmission rates contained in the May 14 Filing.

Additionally, RECO requested that the Board waive its 30-day filing requirement so that RECO can expeditiously implement any rate reduction that may occur as a result of the pending FERC order.

Pursuant to Paragraph 15.9 of the Supplier Master Agreements ("SMAs"), between each Basic Generation Supplier ("BGS") and the Company, if a filing is made with FERC to approve a change in the Company's Firm Transmission Service rates, upon the date the Company begins collecting the retail rates from its customers after approval by the Board, the Company will track the portion of such increase and retain such tracked amounts for the benefit of the BGS

² The matter was assigned Docket No. ER18-1585 at FERC.

Suppliers. When a Final FERC Order is issued approving the increase in Firm Transmission Service rates, the Company will pay each BGS Supplier the amounts tracked and retained for the benefit of such BGS Supplier as outlined in Paragraph 15.9 of the SMA. Any differences between payments to BGS suppliers and charges to customers would flow through the BGS Reconciliation Charges.

RECO requested Board approval to implement revised retail rates to reflect the change in the Company's transmission rate, after issuance of the pending FERC Order in Docket No. ER18-1585. The November 2018 Petition stated that RECO would submit an amended filing with the final, proposed tariff leaves that reflect the translation of the anticipated requested transmission rate in FERC Docket No. ER18-1585 into the Service Classification specific retail rates contained in the electric tariff. RECO will credit its BGS Reconciliation Charge for any change in revenues that result from the change in the transmission rate to the date that the new retail rates become effective.

In addition, pursuant to Paragraph 15.9 of the SMA, a decrease in the transmission rate results in a decrease in the Firm Transmission rate and BGS Auction Price. Therefore, RECO requested approval from the Board to decrease RECO's BGS-Residential and Small Commercial Pricing ("BGS-RSCP") auction price and payment to its BGS-RSCP suppliers by the reduction in RECO's transmission rate, and decrease transmission payments to its BGS-Commercial and Industrial Pricing ("BGS-CIEP") suppliers by the reduction in RECO's transmission rate. The decrease in payments to RECO's BGS-RSCP and BGS-CIEP suppliers would mirror the effective date of the RECO transmission rate in ER18-1585. RECO will credit its BGS Reconciliation Charge for any change in revenues that result from the change in the transmission rate to the effective date of the Board Order in this proceeding.

In the event that FERC decreases transmission rates effective as of a date prior to the date of its Order in Docket No. ER18-1585 (i.e., imposes a refund date), RECO requested approval to collect the reduction in RECO's transmission rate from RECO's BGS-RSCP suppliers and BGS-CIEP suppliers from the FERC refund date to the FERC effective date of the new transmission rates, pursuant to Paragraph 15.9 of the SMA, and credit RECO's customers by means of the Company's BGS Reconciliation Charge.

Accordingly, in the November 2018 Petition RECO requested that the Board: 1) accept the final, proposed RECO tariff sheets that would be submitted upon a FERC Order in ER18-1585; 2) approve a reduction in RECO's payments to RECO's BGS-CIEP suppliers, and 3) in the event FERC establishes a refund date, approve RECO's collection of the reduction in transmission rate from RECO's BGS-RSCP and BGS-CIEP suppliers.

February 2019 Amended Filing

On February 12, 2019, RECO filed an amendment ("February 2019 Amended Filing") to the November 2018 Petition pursuant to Paragraph 15.9 of the BGS-RSCP and BGS-CIEP SMAs. In the February 2019 Amended Filing, RECO stated that on November 15, 2018, FERC issued an Order ("November 15 FERC Order") in Docket No. ER18-1585 directing the following: 1) that RECO's NITS rate decrease as a result of the lower, federal corporate tax rate, from \$44,799 per megawatt per year to \$42,548 per megawatt per year, 2) that the effective date of RECO's new, lower NITS rate be retroactive to March 21, 2018, and 3) that RECO refund its transmission customers the difference between its existing and the new, lower NITS rates, with interest, from March 21, 2018 to November 15, 2018.

The November 15 FERC Order required RECO to pay refunds with interest to RECO's transmission customers, which included RECO's BGS-RSCP and BGS-CIEP customers, for the period March 21, 2018 through October 31, 2018.³ As a result of the retroactive effective date of March 21, 2018, and the refund to RECO's transmission customers, RECO overpaid its BGS-RSCP and BGS-CIEP suppliers during this period, and will continue to overpay suppliers until the effective date of a Board Order approving the November 2018 Petition, as amended by the February 2019 Amended Filing.

In the February 2019 Amended Filing, RECO proposed recovery, pursuant to Paragraph 15.9 of the BGS SMAs, of the NITS overpayments to RECO's BGS-CIEP and BGS-RSCP suppliers, and proposed to credit RECO's BGS reconciliation adjustment mechanism with the recovered overpayments pursuant to Paragraph 15.9.

RECO's BGS-CIEP suppliers, whose contracts are one-year contracts, are reimbursed separately for transmission at RECO's NITS rate, pursuant to the BGS-CIEP SMAs. Upon approval by the Board of the February 2019 Amended Filing, the accumulated NITS overpayments to BGS-CIEP suppliers from March 21, 2018 until the effective date of the Board Order in this proceeding, will be deducted from the reimbursements to RECO's BGS-CIEP suppliers pursuant to Paragraph 15.9 of the BGS-CIEP SMA. After the effective date, RECO's BGS-CIEP suppliers, who are charged and reimbursed at RECO's NITS rate pursuant to the BGS-CIEP SMA, will be charged and reimbursed at RECO's new, lower NITS rate.

RECO's BGS-RSCP suppliers, whose contracts are three-year contracts, are not separately reimbursed for transmission. However, since March 21, 2018, RECO's BGS-RSCP suppliers' transmission charges have decreased as a result of RECO's lower NITS rate, and they continue to be reimbursed by RECO at the higher NITS rate until the effective date of the Board Order in this proceeding. As stated in the February 2019 Amended Filing, RECO has calculated the difference in the RECO NITS rate on a daily basis. If the Board approves the February 2019 Amended Filing, this difference will be applied to each BGS-RSCP suppliers' share of RECO load and deducted from each BGS-RSCP supplier's monthly BGS payments by RECO until each suppliers' BGS-RSCP SMA terminates.

As shown in Attachment A of the February 2019 Amended Filing, RECO allocated the refund to each BGS supplier based on each suppliers Network Service Peak Load ("NSPL") for the period March 21, 2018 through October 31, 2018, which shows a total recovery with interest for the refunds paid by PJM to RECO's BGS suppliers for the period of \$403,173.83. Attachment B of the February 2019 Amended Filing shows how RECO determined the amount of recovery for the period November 2018 through December 2018 using actual RECO load data. The same method was used to project recoveries for January 2019 through March 2019 with estimated load data. RECO calculated total recoveries from BGS suppliers for November 2018 and December 2018 of \$111,387.43 using actual RECO load data. For the months of January 2019 through March 2019, RECO calculated total recoveries of \$277,503.15 using estimated load data. RECO stated that the method used in Attachment B to calculate recoveries will be used for BGS-CIEP and BGS-RSCP until the effective date of a Board Order approving the February 2019 Amended Filing. Additionally, upon Board approval, RECO's BGS-CIEP suppliers will be

³ PJM Settlements allocate the refund among RECO's transmission customers and bills RECO for the refund. Note that although the November 15 FERC Order was effective on November 15, 2018, PJM was able to bill the new, lower NITSs rate beginning November 1, 2018 because PJM bills for November transmission usage in December. RECO's transmission customers are its BGS suppliers and third party suppliers in the RECO PJM zone.

paid at the FERC-ordered NITS rate of \$42,548 per megawatt year and no further recoveries are necessary from BGS-CIEP suppliers.

With respect to BGS-RSCP, RECO stated that an additional deduction will be made to the payments by RECO to the BGS-RSCP suppliers after the effective date of a Board Order in this matter until each supplier's SMA terminates. Attachment C of the February 2019 Amended Filing explains that the reduction of RECO's NITS rate by \$6.17 per megawatt day will be netted from the payments to BGS-RSCP suppliers until the termination of each BGS-RSCP supplier's SMA after the effective date of the Board Order. No deduction will be made in payments to RECO's BGS-RSCP suppliers who won tranches in the February 2019 BGS auction because the lower NITS rate of \$42,548 per megawatt year was in effect at the time of the February 2019 BGS-RSCP Auction.

Accordingly, in the February 2019 Amended Filing, RECO requested approval of the following: 1) Pursuant to Paragraph 15.9 of the BGS SMAs, the recovery of NITS overpayments from RECO's BGS suppliers and credit to RECO's BGS Reconciliation Charge for the period March 21, 2018 until the effective date of the Board Order in this proceeding as set out in the Attachments to the February 2019 Amended Filing; 2) Pursuant to Paragraph 15.9 of the SMAs, after the effective date of a Board Order in this proceeding, the payment of future NITS payments to RECO's BGS-CIEP at RECO's revised, lower NITS transmission rate approved in the November 15 FERC Order; 3) Pursuant to Paragraph 15.9 of the SMAs, after the effective date of a Board Order in this proceeding, a deduction in future payments to RECO's BGS-RSCP suppliers, calculated by subtracting the difference between RECO's existing and RECO's revised, lower NITS rate from the RSCP supplier's BGS-RSCP auction price as set out in the Attachments to the February 2019 Amended Filing; and 4) Approval of RECO's proposed Tariff Leaves with proposed RECO retail rates.

As a result of the filing, a residential customer using 650 kWh per month will see a decrease in their monthly bill of \$0.45 or 0.36%.

DISCUSSION AND FINDING

In the Board's Order dated December 2, 2003, in Docket No. EO03050394, the Board found that the pass through of any changes in the NITS charge, and other charges associated with the FERC-approved OATT, is appropriate. Furthermore, by subsequent Orders, the Board approved Paragraph 15.9 of the SMAs as filed by RECO and the other electric distribution companies ("EDCs") which required the EDCs file for Board approval of any increase or decrease in their transmission charges that have been approved by FERC. The SMAs also authorize the EDCs to adjust the rates paid to suppliers for FERC-approved rates and increases to Firm Transmission Services once approved by the Board. The Board Orders further required the EDCs review and verify the requested FERC authorized changes.

After review of the verification and supporting documentation, the Board **HEREBY FINDS** that the November 2018 Petition, as modified by the February 2019 Amended Filing, satisfies RECO's obligations under Paragraphs 15.9(a)(i) and (ii) of the relevant SMAs, and **HEREBY APPROVES** the changes to the retail transmission rates requested by RECO for its transmission charges resulting from the FERC-approved changes to the transmission charges, effective as of May 1, 2019.

Specifically, the Board **HEREBY AUTHORIZES**: 1) Pursuant to Paragraph 15.9 of the BGS SMAs, the recovery of NITS overpayments from RECO's BGS suppliers and credit to RECO's

BGS Reconciliation Charge for the period March 21, 2018 until the effective date of the Board Order in this proceeding as set out in the Attachments to the February 2019 Amended Filing; 2) Pursuant to Paragraph 15.9 of the SMAs, after the effective date of a Board Order in this proceeding, the payment of future NITS payments to RECO's BGS-CIEP at RECO's revised, lower NITS transmission rate approved in the November 15 FERC Order; 3) Pursuant to Paragraph 15.9 of the SMAs, after the effective date of a Board Order in this proceeding, a deduction in future payments to RECO's BGS-RSCP suppliers, calculated by subtracting the difference between RECO's existing and RECO's revised, lower NITS rate from the RSCP supplier's BGS-RSCP auction price as set out in the Attachments to the February 2019 Amended Filing; and 4) Approval of RECO's proposed Tariff Leaves with proposed RECO retail rates with a tariff effective date of May 1, 2019.

Further, the Board **HEREBY DIRECTS** RECO to file tariffs and rates consistent with the Board's findings by May 1, 2019.

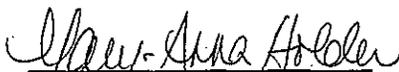
The Company's rates remain subject to audit by the Board. This Decision and Order does not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

The effective date of this Order is April 8, 2019.

DATED: 3/29/19

BOARD OF PUBLIC UTILITIES
BY:

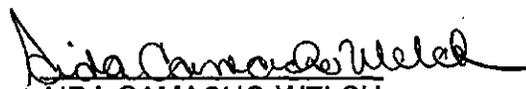

JOSEPH L. FIORDALISO
PRESIDENT


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER


ROBERT M. GORDON
COMMISSIONER

ATTEST: 
AIDA CAMACHO-WELCH
SECRETARY

IN THE MATTER OF FERC APPROVED CHANGES TO ROCKLAND ELECTRIC COMPANY
TRANSMISSION RATE PURSUANT TO PARAGRAPHS 15.9 OF THE BGS-RSCP AND BGS-
CIEP SUPPLIER MASTER AGREEMENTS AND TARIFF FILING REFLECTING CHANGES TO
SCHEDULE 12 CHARGES IN PJM OPEN ACCESS TRANSMISSION TARIFF

BPU DOCKET NO. ER18111242

SERVICE LIST

ROCKLAND ELECTRIC COMPANY

John L. Carley, Esq.
Consolidated Edison Co. of NY
Law Dept., Room 1815-S
4 Irving Place
New York, NY 10003
carleyj@coned.com

Margaret Comes, Sr. Staff Attorney
Consolidated Edison Co. of NY
Law Dept., Room 1815-S
4 Irving Place
New York, NY 10003
cmesm@coned.com

OTHER

Rohit Marwaha
Exelon Generation Company
100 Constellation Way, Suite 500C
Baltimore, MD 21102
rohit.marwaha@constellation.com

Jackie Roy
ConocoPhillips
600 N. Dairy Ashford, CH1081
Houston, TX 77079
jackie.roy@conocophillips.com

John Foreman
ConocoPhillips
600 N. Dairy Ashford, CH1081
Houston, TX 77079
john.r.foreman@conocophillips.com

Paul Rahm
Exelon Generation Company
100 Constellation Way, Suite 500C
Baltimore, MD 21102
paul.m.rahm@constellation.com

EDCs

Joseph Janocha
Atlantic City Electric Co. – 63ML38
5100 Harding Highway
Atlantic Regional Office
Mays Landing, NJ 08330
joseph.janocha@pepcoholdings.com

Dan Tudor
Pepco Holdings, Inc.
7801 Ninth Street NW
Washington, DC 20068-0001
datudor@pepco.com

Philip Passanante, Esq.
Atlantic City Electric Co. – 89KS
Post Office Box 231
Wilmington, DE 19899
philip.passanante@pepcoholdings.com

Gregory Eisenstark, Esq.
Windels Marx Lane & Mittendorf, LLP
120 Albany Street Plaza
New Brunswick, NJ 08901
geisenstark@windelsmarx.com

Jennifer Spricigo
FirstEnergy
300 Madison Avenue
Morristown, NJ 07960
jspricigo@firstenergycorp.com

Joseph A. Shea, Esq.
PSEG Services Corporation
Post Office Box 570
80 Park Plaza, T-5
Newark, NJ 07101
joseph.shea@pseg.com

Jessica Miller
Exelon Generation Company
100 Constellation Way, Suite 500C
Baltimore, MD 21102
jessica.miller@constellation.com

Allyson Pait
1310 Point Street,
8th Floor
Baltimore, MD 21231
Allyson.pait@constellation.com

Justin Brenner
NextEra Energy Power Mktg.
700 Universe Boulevard, CTR/JB
Juno Beach, FL 33408-2683
justin.brenner@nee.com

Zachary McLaurin
NextEra Energy Power Mktg.
700 Universe Boulevard, CTR/JB
Juno Beach, FL 33408-2683
DL-PJM-RFP@fpl.com

Christopher Lane
111 Market Place Suite 500
Baltimore, MD 21202
christopher.lane@nee.com

Marleen Nobile
PSEG Services Corporation
80 Park Plaza, T-19
PO Box 570
Newark, NJ 07101
marleen.nobile@pseg.com

Shawn P. Leyden, Esq.
PSEG Services Corporation
80 Park Plaza, T-19
PO Box 570
Newark, NJ 07101
shawn.leyden@pseg.com

Energy Contracts Manager
80 Park Plaza- T19
Newark, NJ 07102
ER&TContracts@pseg.com

Myron Filewicz
Manager- BGS
PSE&G
80 Park Plaza, T-8
Post Office Box 570
Newark, NJ 07101
myron.filewicz@pseg.com

Chantale LaCasse
NERA
1166 Avenue of the Americas,
29th Floor
New York, NY 10036
chantale.lacasse@nera.com

Division of Rate Counsel
Post Office Box 003
Trenton, NJ 08625-0003

Stefanie A. Brand, Esq.
sbrand@rpa.nj.gov

Brian Lipman, Esq.
blipman@rpa.nj.gov

Ami Morita, Esq.
amorita@rpa.nj.gov

Diane Schulze, Esq.
dschulze@rpa.nj.gov

Robert Fagan
Synapse Energy Economics, Inc.
485 Massachusetts Avenue., Suite 2
Cambridge, MA 02139
rfagan@synapse-energy.com

Board of Public Utilities
Post Office Box 350
Trenton, NJ 08625-0350

Aida Camacho-Welch, Secretary
board.secretary@bpu.nj.gov

Stacy Peterson, Director
Division of Energy
stacy.peterson@bpu.nj.gov

Steven Gabel
Gabel Associates
417 Denison Street
Highland Park, NJ 08904
steven@gabelassociates.com

Drew Hall
600 North Dairy Ashford
CH1064 A
Houston, TX 77079
drew.hall@conocophillips.com

Ress Young
600 North Dairy Ashford
Houston, TX 77079
ress.young@conocophillips.com

John Foreman
600 North Dairy Ashford
Houston, TX 77079
john.r.foreman@conocophillips.com

Shrikant Iyer
1310 Point Street
8th Floor
Baltimore, MD 21231
shrikant.iyer@constellation.com

Eric Silverthorne
1310 Point Street
12th Floor
Baltimore, MD 21231
eric.silverthorn@exeloncorp.com

Eric Willett
1310 Point Street 8th Floor
Baltimore, MD 21231
eric.willett@constellation.com

Sean Adams
80 Park Plaza, T-19
Newark, NJ 07102
sean.adams@pseg.com

Tom Mamaras
80 Park Plaza, T-19
Newark, NJ 07102
tom.mamaras@pseg.com

Paul Lupo, Chief
Division of Energy
paul.lupo@bpu.nj.gov

Kevin Moss, Chief
Division of Energy
kevin.moss@bpu.nj.gov

Andrea Hart, Esq.
Counsel's Office
andrea.hart@bpu.nj.gov

Department of Law & Public Safety
Division of Law
Post Office Box 45029
Newark, NJ 07101-45029

Caroline Vachier, DAG
caroline.vachier@law.njoag.gov

Andrew Kuntz, DAG
andrew.kuntz@law.njoag.gov