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I. QUALIFICATIONS AND OVERVIEW

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Q. Please state your name and business address.

A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

Q. What is your occupation?

A. I am an economist and consultant in the field of public utility regulation, and principal of Excel Consulting. My qualifications are described in the Appendix to this testimony.

Q. On whose behalf are you testifying in this case?

A. I am testifying on behalf of the New Jersey Department of the Public Advocate, Division of Rate Counsel (“Rate Counsel”).

Q. What is the subject of your testimony?

A. Rate Counsel requested that I review the class cost-of-service study and rate design proposals sponsored by Rockland Electric Company (“RECO” or “Company”), and develop an appropriate rate design that reflects Rate Counsel witness David E. Peterson’s recommended revenue adjustment in this proceeding.

Q. How is your testimony organized?

A. My direct testimony is organized as follows. Section I of my testimony contains my qualifications and an overview of my testimony. Section II of my testimony

1 discusses the Company's class cost-of-service study ("COSS"). Section III
2 examines the Company's proposed class revenue allocation, and presents my
3 recommended revenue allocation. Section IV presents my recommended rate
4 design. Finally, Section V addresses RECO's proposed increase to its Reconnection
5 Charge.

6

7 **Q. Please summarize your recommendations.**

8 A. Based upon my analysis of the Company's filing and discovery responses, I
9 recommend that Your Honor and the New Jersey Board of Public Utilities ("Board"
10 or "BPU"):

- 11 • approve Rate Counsel's recommended class revenue allocation;
- 12 • adopt Rate Counsel's rate design recommendations, which include
13 various (percentage) increases to the Company's fixed service charges;
14 and
- 15 • reject the Company's proposed increase to its Reconnection Charge, in
16 favor of Rate Counsel's recommended Reconnection Charge level.

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18 The specific details associated with my recommendations are discussed below.

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II. CLASS COST OF SERVICE STUDY

Q. Mr. Kalcic, what type of cost-of-service analysis did the Company sponsor in this proceeding?

A. Ms. Villeta prepared a fully allocated cost-of-service study (“COSS”) based upon actual data for the twelve (12) months ending December 31, 2008. As explained by Ms. Villeta, the COSS includes only the electric distribution portion of the Company’s operations, and specifically excludes the cost of Basic Generation Service (“BGS”) and the Company’s transmission business.

The COSS itself is used to both separate the costs of the Company’s distribution or “wires” business into functional segments and to allocate these functionalized costs to rate classes based upon each class’s cost responsibility.

Q. What are the general functional cost segments that are included in RECO’s COSS?

A. Briefly, the Company identifies three (3) broad functional segments: 1) Distribution Service; 2) Customer Accounting; and 3) Customer Service. For example, the Distribution segment typically includes all secondary wire (excluding service drops and/or street lighting), line transformers and related equipment and certain portions of higher voltage circuits and equipment. The Customer Accounting segment includes costs related to meter reading, billing and collection. The Customer

1 Service segment primarily targets those portions of the distribution system intended
2 to serve individual customers such as meters, service drops and street lighting.

3 After the functionalization step is completed, RECO's functionalized costs
4 are further classified as demand-, customer- or revenue-related.

5

6 **Q. How does the Company generally allocate these classified cost segments to rate
7 schedules?**

8 A. The primary allocation factor varies with each segment. In general, demand-related
9 costs are allocated to rate classes based on the peak loads that are imposed at
10 various points on the distribution system. The Company's customer-related costs
11 are allocated on the basis of weighted/un-weighted customer counts. Finally,
12 revenue-related costs are allocated on the basis of class revenues.

13

14 **Q. Having reviewed the Company's COSS, do you recommend any changes be
15 incorporated in RECO's cost-of-service methodology at this time?**

16 A. No, since RECO's COSS results are only employed as a general guide in the
17 development of the Company's class revenue allocation. As discussed below, with
18 a couple of exceptions, I find the Company's general revenue allocation approach
19 acceptable.

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III. CLASS REVENUE ALLOCATION

Q. Mr. Kalcic, how does RECO propose to recover its 12+0 distribution revenue increase of \$13.8 million from ratepayers?

A. Schedule BK-1 summarizes the Company’s proposed increase to class distribution revenues.¹ The Company’s 12+0 system average increase in distribution revenues is 24.4% (per line 17 of Schedule BK-1). Excluding the Company’s Other Revenues, Schedule BK-1 shows that the Company’s overall increase from individual rate classes (line 12) is 24.6%. As shown on lines 1-11 of Schedule BK-1, RECO is proposing to limit its proposed increase to individual rate classes to between approximately 0.3 and 2.5 times the system average increase (in rate revenue) of 24.6%. As such, individual class increases would range from approximately 8.0% to 61.5% under RECO’s proposal.

Q. How did RECO arrive at the proposed revenue allocation shown in Schedule BK-1?

A. The process used derive the Company’s proposed revenue allocation is described on pages 2-4 of Mr. Joe’s direct testimony. Generally, the Company used its COSS results as a guide, but in a manner that recognized customer impact considerations. In particular, the Company chose to move rate classes toward the class cost-of-

¹ Distribution revenues are limited to the revenues derived from the Company’s tariff rates for distribution service, and exclude the following: 1) Basic Generation Service (“BGS”); 2) Societal Benefits Charge (“SBC”); 3) Regional Greenhouse Gas Initiative Recovery Charge (“RGGI”); 4) Transition Bond Charge(s) (“TBC”); and 5) Sales and Use Tax (“SUT”).

1 service levels shown in its cost study, but subject to the constraint that each class's
2 change in distribution revenues would be between 0% and 150% of the system
3 average distribution increase. In other words, no class should receive a distribution
4 *decrease* in this case.

5 However, consistent with the Stipulation of Settlement in RECO's last base
6 rate proceeding at Docket No. ER06060483 ("2007 Settlement"), the Company's
7 proposal includes a higher limit on the maximum increases permitted to the Service
8 Classification No. 4 Public Street Lighting ("SC4") and Service Classification No. 6
9 Private Overhead Lighting – Dusk to Dawn ("SC6 POL – Dust to Dawn) rate
10 classes.² Those limits are 200% and 250%, respectively, of the overall system
11 average increase.

12

13 **Q. Do you believe that the Company's revenue allocation proposal provides an**
14 **appropriate balance between the traditional goals of moving rate classes**
15 **toward cost of service and gradualism?**

16 A. To a degree. In my experience, it is typical ratemaking practice to restrict class
17 increases to between 0.5 and 1.5 times the system average increase, particularly
18 when the system average increase exceeds single digits. Therefore, I recommend
19 that the lower limit on class increases in this proceeding be established at 0.5 times
20 the system average.

² The SC4 and SC6 POL – Dusk to Dawn classes exhibit the greatest revenue deficiencies in RECO's COSS.

1 Similarly, I am reluctant to assign a 2.5 times the system average increase to
2 *any* class in this proceeding. In light of the agreement of the parties to the 2007
3 Settlement to assign higher relative increases to the SC4 and SC6 POL – Dusk to
4 Dawn classes, I find that a separate limit of 2.0 times the system average for *both*
5 lighting classes is more reasonable.

6

7 **Q. Did you use the previously discussed customer impact guidelines to develop a**
8 **class revenue allocation for Mr. Peterson’s recommended revenue adjustment?**

9 A. Yes. My recommended class revenue allocation is shown in Schedule BK-2.

10

11 **Q. Please discuss Schedule BK-2.**

12 A. Mr. Peterson is recommending an overall increase in distribution revenues of
13 \$7.209 million. However, after allowing for a small increase in Miscellaneous
14 Service Revenue shown on line 13, the required increase to class rate revenues is
15 \$7.206 million (per line 12 of Schedule BK-2). As shown in column 4 of Schedule
16 BK-2, this increase in rate revenue is generally allocated to rate classes in a manner
17 similar to the Company (except for the change in limits discussed above). In other
18 words, the change in each non-lighting rate class’s revenues was restricted to
19 between 0.5 and 1.5 times the recommended system average increase in rate
20 revenue of 12.9%. The increase assigned to both the SC4 and SC6 POL –Dusk to
21 Dawn lighting classes (lines 7-8) is 2.0 times the system average or 25.7%.

1 Overall, Schedule BK-2 assigns below average rate increases to classes than
2 are over-contributing (i.e., below cost of service), and above average increases to
3 classes that are under-contributing (as measured by the Company's cost study).

4

5 **Q. Mr. Kalcic, the increases assigned by RECO to the SC2 Space Heating and**
6 **SC7 Space Heating classes (as shown on lines 5 and 11, respectively, of**
7 **Schedule BK-1) exceed the system average. However, neither of your**
8 **recommended increases to these classes (as shown on lines 5 and 11 of Schedule**
9 **BK-2) exceed the system average. Why is this the case?**

10 A. According to the Company's COSS, neither space heating class should receive an
11 increase in excess of the system average. However, in the process of mitigating
12 individual class increases, RECO (temporarily) arrived at a total revenue increase
13 that was less than the \$13.8 million shown in Schedule BK-1. In order to make the
14 Company whole, RECO reassigned the associated revenue shortfall proportionately
15 to all classes that were below the maximum increase. The additional revenue
16 responsibility assigned to the SC2 Space Heating and SC7 Space Heating classes in
17 this make-whole step resulted in these classes receiving an above average increase.

18

19 **Q. Are the Company's proposed increases to these space heating classes cost**
20 **based?**

21 A. Not according to RECO's COSS. In other words, neither class should receive an
22 above system average increase.

1 **Q. How did you determine your recommended increases to the SC2 and SC7**
2 **Space Heating classes?**

3 A. I assigned each class a relative increase consistent with the Company's COSS
4 results. Since my recommended revenue allocation includes a minimum increase of
5 0.5 times the system average (rather than zero), there was no need to reallocate
6 revenues among rate classes (to make RECO whole).

7
8 **Q. How did you determine your recommended increases to the SC1 SC3, SC5 and**
9 **SC6 POL – Energy Only classes?**

10 A. Each of these classes receive an increase of 1.45 times the system average, which is
11 the *residual* increase necessary to implement Rate Counsel's recommended revenue
12 adjustment in this proceeding.

13

14 **Q. Unlike Schedule BK-1, line 13 of Schedule BK-2 shows an increase to the**
15 **Company's Miscellaneous Service Revenue. What is the source of that**
16 **increase?**

17 A. The increase is related to RECO's proposed change in its Reconnection Charge,
18 which I discuss later in my testimony.

1 **Q. How did you arrive at the present distribution revenues shown in column 1 of**
2 **Schedule BK-2?**

3 A. The present distribution revenues are the sum of the Company's 12+0 distribution
4 revenues shown in column 1 of Schedule BK-1 and the revenue annualization
5 adjustments shown in RECO's Exhibit P-2, Schedule 2 12+0 Update. In other
6 words, the Company's 12+0 class distribution revenues shown in Schedule BK-1
7 exclude the 12+0 annualization adjustments that were accepted by Mr. Peterson.³

8

9 **Q. Mr. Peterson has excluded the Company's 12+0 revenue adjustment pertaining**
10 **to Demand Side management ("DSM") and lower economic activity shown in**
11 **Exhibit P-2, Schedule 1(A) 12+0 Update. Since RECO's proposed adjustment**
12 **resulted in a revenue decrease of \$1.4 million, did you have to add back \$1.4**
13 **million to the Company's reported 12+0 class distribution revenues to arrive at**
14 **the pro forma revenues shown in Schedule BK-2?**

15 A. No. In its response to RCR-RD3-23, RECO indicated that its DSM/economic
16 activity adjustment had *not* been reflected in the Company's 12+0 class distribution
17 revenues.

³ See RECO's response to RCR-RD3-24.

1 **Q. Do you have billing determinants that tie to the revenues shown in column 1 of**
2 **Schedule BK-2?**

3 A. Yes, I do. The Company provided class billing determinates that correspond to the
4 12+0 class revenues shown in Schedule BK-1. I imputed additional billing
5 determinants to the SC1 and SC2 classes to make up the additional revenue (i.e.,
6 \$26,000) associated with the Company's revenue annualization adjustment shown
7 in Exhibit P-2, Schedule 2 12+0 Update.

8

9

IV. RATE DESIGN

10

11 **Q. Mr. Kalcic, have you prepared a recommended rate design that implements**
12 **your recommended revenue allocation shown in Schedule BK-2?**

13 A. Yes, I have. My recommended rate design and proof of revenue is provided in
14 Schedule BK-3.

15

16 **Q. Please review your recommended rate design for the Company's residential**
17 **rate schedules, i.e., SC1, SC3 and SC5.**

18 A. At present, SC1 contains a fixed customer or service charge and a seasonally
19 differentiated kWh-based distribution charge. The summer distribution charge
20 consists of an inclining block rate, with a higher charge for usage in excess of 250
21 kWhs per month. In addition, SC1 includes separate riders applicable to water

1 heating and space heating service. My recommended SC1 rate design includes an
2 across-the-board increase to all such tariff charges.

3 The SC3 rate schedule applies to residential time of day (“TOD”) heating.
4 SC3 contains a fixed service charge and a seasonally differentiated kWh-based
5 distribution charge. The distribution charge is further differentiated across (peak
6 and off-peak) time periods within each season. My recommended SC3 rate design
7 includes an across-the-board increase to all such tariff charges.

8 The SC5 rate schedule applies to residential space heating service. SC5
9 contains a fixed service charge and a seasonally differentiated kWh-based
10 distribution charge. The distribution charge consists of a three-step inclining block
11 rate, with separate charges applicable to the first 250 kWhs, the next 450 kWhs and
12 all usage in excess of 700 kWhs. As with the SC1 and SC3 rate classes, my
13 recommended SC5 rate design includes an across-the-board increase to all existing
14 distribution-related charges.

15

16 **Q. Please describe RECO’s SC2 General Service rate schedule.**

17 A. SC2 is applicable to non-residential customers with demands less than 1,000 kW
18 that take service at secondary or primary voltage. Service at secondary voltage may
19 be either: a) unmetered; b) non-demand metered; or c) demand metered.
20 Distribution charges include: 1) a fixed service charge; 2) a seasonally differentiated
21 demand charge (that applies only to billing demand in excess of 5 kW per month);
22 and 3) a seasonally differentiated, declining-block usage (kWh) charge.

1 The SC2 charges applicable to customers served at secondary versus primary
2 voltage are identical, with one exception. The SC2 rate schedule contains a
3 (discounted) third rate block that applies solely to customers served at primary
4 voltage.

5

6 **Q. Is RECO proposing to modify its existing SC2 rate structure in this**
7 **proceeding?**

8 A. Yes, it is. First, RECO proposes to establish four (4) separate SC2 service charges,
9 applicable to unmetered secondary, non-demand metered secondary, demand-
10 metered secondary and primary service customers. Second, RECO proposes to
11 establish one set of distribution-related demand and energy charges for secondary
12 customers and a separate set of charges for primary service customers. Third,
13 RECO proposes to *reduce* the existing third block rate discount applicable to
14 primary service customers from approximately 1.3¢ to 1.0¢ per kWh (before SUT).

15

16 **Q. Do you agree with RECO's proposed structural modifications to SC2?**

17 A. Yes, I do. The underlying meter requirements of individual SC2 customers (which
18 encompass unmetered secondary service up to and including demand metered
19 primary service) are highly variable, which suggests that the SC2 customer charge
20 *should* be differentiated by type of service. In addition, RECO's proposal to
21 establish separate (sets of) demand and energy charges for SC2 secondary and

1 primary customers obviates the need for an otherwise steeply discounted (third) rate
2 block (to reflect certain lower costs of serving customers at primary voltage).

3

4 **Q. How did you determine your recommended rates for RECO's SC2 Secondary**
5 **and SC2 Space Heating classes?**

6 A. First, I set my recommended SC2 Secondary customer charges at the *minimum* of:
7 a) the customer charge levels proposed by the Company; or b) the customer charge
8 levels necessary to move SC2 Secondary service charges one-quarter of the distance
9 toward cost of service.⁴ This produced a recommended monthly customer charge
10 for SC2 non-demand metered customers that is slightly lower than the charge
11 proposed by the Company (i.e., \$9.41 versus \$10.28, before SUT). Second, I
12 applied an across-the-board (residual) increase of approximately 5.6% to all
13 remaining SC2 Secondary distribution charges.⁵

14 SC2 includes a separate provision applicable to space heating service, which
15 contains a seasonally differentiated kWh-based distribution charge. Consistent with
16 the target increase shown on line 5 of Schedule BK-2, my recommended SC2 Space
17 Heating rate design includes an across-the-board increase of approximately 8.1% to
18 existing distribution charges.

⁴ Cost of service was based upon the monthly customer cost benchmarks shown in RECO's response to RCR-RD1-10.

⁵ See Schedule BK-3, page 3 of 7.

1 **Q. How did you determine your recommended rates for RECO's SC2 Primary**
2 **customers?**

3 A. First, I set my recommended customer charge at \$70.09 per month (before SUT),
4 the same level as proposed by RECO. Second, I reduced the discount applicable to
5 the third rate block to approximately 1.0¢ per kWh. Third, I applied an across-the-
6 board (residual) increase of approximately 2.9% to all remaining SC2 Primary
7 distribution charges.⁶

8

9 **Q. Please explain how you derived your recommended rates for RECO's SC4**
10 **Public Street Lighting rate class.**

11 A. The SC4 rate schedule contains a fixed distribution charge that varies according to
12 the size and/or type of luminaire installation. My recommended SC4 rate design
13 includes an across-the-board increase of approximately 25.7% to all such fixed
14 luminaire charges.

15

16 **Q. Mr. Kalcic, how did you develop your recommended rates for RECO's SC6**
17 **POL – Dusk to Dawn and SC6 POL – Energy Only rate classes?**

18 A. The SC6 POL – Dusk to Dawn rate schedule contains a fixed distribution charge
19 that varies according to the size and/or type of luminaire installation. My
20 recommended SC6 POL – Dusk to Dawn rate design includes an across-the-board
21 increase of approximately 25.7% to all such fixed luminaire charges.

⁶ See Schedule BK-3, page 4 of 7.

1 SC6 includes a separate provision for *energy only* service applicable to
2 customers that have installed, own and maintain all facilities necessary to provide
3 outdoor lighting. The SC6 POL – Energy Only provision includes a fixed customer
4 charge and a kWh-based distribution charge. My recommended SC6 POL – Energy
5 Only rate design includes an across-the-board increase of approximately 18.6% to
6 all existing distribution-related charges.

7

8 **Q. Please explain how you derived your recommended rates for RECO's SC7**
9 **Primary TOD and SC7 Space Heating rate classes.**

10 A. The SC7 Primary rate schedule applies to customers with a minimum demand of
11 1,000 kW that take service at primary voltage. SC7 Primary TOD contains a fixed
12 service charge and seasonally differentiated kW-based (demand) and kWh-based
13 (usage) distribution charges. These distribution charges are further differentiated
14 across (peak and off-peak) time periods within each season. My recommended SC7
15 Primary TOD rate design includes an across-the-board increase of approximately
16 6.4% to all such tariff charges.

17 SC7 includes a separate provision applicable to space heating service, which
18 contains a seasonally differentiated kWh-based distribution charge. Consistent with
19 the target increase shown on line 11 of Schedule BK-2, my recommended SC7
20 Space Heating rate design includes an across-the-board increase of approximately
21 12.9% to existing distribution charges.

22

1 **Q. Have you prepared a summary of the Rate Counsel's recommended SC1 rates?**

2 A. Yes. Schedule BK-4 provides a summary of my recommended SC1 residential
3 rates, with and without SUT.

4

5 **V. MISCELLANEOUS SERVICE CHARGES**

6

7 **Q. Mr. Kalcic, is RECO proposing any changes to its Miscellaneous Service**
8 **Charges?**

9 A. Yes. The Company proposes to increase its Reconnection Charge from \$21 to \$35
10 or 66.6%.

11

12 **Q. What is the basis for the Company's requested increase in its Reconnection**
13 **Charge?**

14 A. The Company claims that its total cost per reconnection is \$35.46.⁷ As such,
15 RECO's requested increase is intended to move the current Reconnection Charge to
16 (approximately) full cost of service in this case.

⁷ See RECO's response to RCR-RD1-12.

1 **Q. Do you believe it is appropriate to increase the Company's Reconnection**
2 **Charge 66.6% in this proceeding?**

3 A. No. I find that a 66.6% increase would be excessive, particularly in light of current
4 economic conditions which could cause a greater than normal number of customers
5 to experience a shut off for non-payment.

6

7 **Q. What is your recommendation in this area?**

8 A. I recommend that the increase to the current Reconnection Charge be limited to 2.0
9 times the system average increase in total distribution revenues, or 25.5%. This
10 results in a recommended Reconnection charge of \$26.35 (i.e., \$26.36 rounded).

11

12 **Q. Have you reflected the additional revenue associated with your recommended**
13 **Reconnection Charge increase in Schedule BK-2?**

14 A. Yes, I have.

15

16 **Q. Does this conclude your direct testimony?**

17 A. Yes.

SCHEDULES BK-1 TO BK-4

Rockland Electric Company
 Summary of Company Proposed Increases
 in Class Distribution Revenues
 (\$000)

Schedule BK-1

Line	Class	Present Distribution Revenue 1/ (1)	Proposed Increase		
			Amount (2)	% (3)	Index (4)
1	SC1 Res Svc	\$ 27,247.1	\$ 10,053.7	36.90%	150
2	SC3 Res TOD Heating	8.3	3.1	36.90%	150
3	SC5 Res Space Heating	662.3	244.4	36.90%	150
4	SC2 Sec	19,361.7	1,958.4	10.11%	41
5	SC2 Space Heating	920.6	274.3	29.80%	121
6	SC2 Pri	2,950.6	236.7	8.02%	33
7	SC4 Public Street Lighting	599.7	295.0	49.19%	200
8	SC6 POL - Dusk to Dawn	227.1	139.7	61.52%	250
9	SC6 POL - Energy Only	93.9	34.6	36.90%	150
10	SC7 Pri TOD	3,617.9	407.7	11.27%	46
11	SC7 Space Heating	<u>333.7</u>	<u>133.4</u>	39.97%	162
12	Subtotal	\$ 56,022.9	\$ 13,781.0	24.60%	100
<u>Other Revenues</u>					
13	Misc. Service Revenue	17.0	0	0.00%	
14	Electric Rents	193.0	0	0.00%	
15	Other Misc. Revenues	<u>250.0</u>	<u>0</u>	0.00%	
16	Subtotal	460.0	0		
17	Total Distribution	\$ 56,482.9	\$ 13,781.0	24.40%	

Source: RCR-RD2-14
 (12+0) Rate Design
 Workpapers

Notes:

1/ Excludes BGS, Transmission, SBC, RGGI, TBC & SUT.

Rockland Electric Company
 Summary of Rate Counsel Recommended Adjustments
 in Class Distribution Revenues
 (\$000)

Schedule BK-2

Line	Class	Present Distribution Revenue 1/ (1)	Recommended Increase		
			Amount (2)	% (3)	Index (4)
1	SC1 Res Svc	\$ 27,268.9	\$ 5,066.7	18.58%	145
2	SC3 Res TOD Heating	8.3	1.5	18.58%	145
3	SC5 Res Space Heating	662.3	123	18.58%	145
4	SC2 Sec	19,365.9	1,245	6.43%	50
5	SC2 Space Heating	920.6	75	8.10%	63
6	SC2 Pri	2,950.6	190	6.43%	50
7	SC4 Public Street Lighting	599.7	154	25.71%	200
8	SC6 POL - Dusk to Dawn	227.1	58	25.71%	200
9	SC6 POL - Energy Only	93.9	17	18.58%	145
10	SC7 Pri TOD	3,617.9	233	6.43%	50
11	SC7 Space Heating	333.7	43	12.85%	100
12	Subtotal	\$ 56,048.9	\$ 7,206	12.86%	100
<u>Other Revenues</u>					
13	Misc. Service Revenue	17.0	2.9	17.31%	
14	Electric Rents	193.0	0	0.00%	
15	Other Misc. Revenues	250.0	0	0.00%	
16	Subtotal	460.0	2.9		
17	Total Distribution	\$ 56,508.9	\$ 7,209	12.76%	

Source: Sch. BK-1
 plus
 Exh. P-2,
 Sch. 2 12+0
 Annual. Adj.

Notes:

1/ Excludes BGS, Transmission, SBC, RGGI, TBC & SUT.

Rockland Electric Company
 Rate Counsel Recommended Distribution Rates
 and Proof of Revenue

	<u>Billing Units</u> (1)	<u>Present Distribution Rates</u>		<u>Recommended Distribution Rates</u>		<u>Increase</u>	
		<u>Rate</u> (2)	<u>Revenue</u> (3)	<u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Amount</u> (6)	<u>Percent</u> (7)
Residential - SC1			Res-SC1		Res-SC1		
Service Charge	737,748	\$ 3.63	\$ 2,678,027	\$ 4.30	\$ 3,172,318	\$ 494,291	18.46%
Distribution Charge							
<u>Summer</u>							
First 250 kWh	59,775,512	\$ 0.03281	1,961,235	\$ 0.03891	2,325,865	364,630.6	18.59%
Over 250 kWh	232,116,205	\$ 0.03821	8,869,160	\$ 0.04531	10,517,185	1,648,025	18.58%
<u>Winter</u>							
First 250 kWh	117,836,513	\$ 0.03281	3,866,216	\$ 0.03891	4,585,019	718,803	18.59%
Over 250 kWh	294,070,313	\$ 0.03281	9,648,447	\$ 0.03891	11,442,276	1,793,829	18.59%
<u>Water Heating</u>							
Summer	2,876,625	\$ 0.02689	77,352	\$ 0.03189	91,736	14,383	18.59%
Winter	5,050,678	\$ 0.02689	135,813	\$ 0.03189	161,066	25,253	18.59%
<u>Space Heating</u>							
Winter	1,413,634	\$ 0.02310	32,655	\$ 0.02740	38,734	6,079	18.61%
Total Distribution Revenues			\$ 27,268,905		\$ 32,334,199	5,065,294	18.58%

Rockland Electric Company
 Rate Counsel Recommended Distribution Rates
 and Proof of Revenue

	<u>Billing Units</u> (1)	<u>Present Distribution Rates</u>		<u>Recommended Distribution Rates</u>		<u>Increase</u>	
		<u>Rate</u> (2)	<u>Revenue</u> (3)	<u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Amount</u> (6)	<u>Percent</u> (7)
Residential - SC3 TOD Heating		Res-SC3 TOD		Res-SC3 TOD			
Service Charge	212	\$ 4.64	\$ 984	\$ 5.50	\$ 1,166	\$ 182	18.53%
Distribution Charge							
<u>Summer</u>							
Peak	35,100	\$ 0.04350	1,527	\$ 0.05159	1,811	284	18.60%
Off-Peak	63,140	\$ 0.01767	1,116	\$ 0.02095	1,323	207	18.56%
<u>Winter</u>							
Peak	64,788	\$ 0.03934	2,549	\$ 0.04665	3,022	474	18.58%
Off-Peak	121,290	\$ 0.01767	2,143	\$ 0.02095	2,541	398	18.56%
Total Distribution Revenues			\$ 8,318		\$ 9,863	1,545	18.57%
Residential - SC5 Space Heating		Res-SC5		Res-SC5			
Service Charge	22,110	\$ 3.63	\$ 80,258	\$ 4.30	\$ 95,071	\$ 14,813	18.46%
Distribution Charge							
<u>Summer</u>							
First 250 kWh	1,667,976	\$ 0.03157	52,658	\$ 0.03744	62,449	9,791	18.59%
Next 450 kWh	1,915,055	\$ 0.03618	69,287	\$ 0.04291	82,175	12,888	18.60%
Over 700 kWh	1,792,702	\$ 0.03933	70,507	\$ 0.04664	83,612	13,105	18.59%
<u>Winter</u>							
First 250 kWh	3,620,077	\$ 0.03157	114,286	\$ 0.03744	135,536	21,250	18.59%
Next 450 kWh	3,938,496	\$ 0.03157	124,338	\$ 0.03744	147,457	23,119	18.59%
Over 700 kWh	4,094,635	\$ 0.03687	150,969	\$ 0.04373	179,058	28,089	18.61%
Total Distribution Revenues			\$ 662,303		\$ 785,358	123,055	18.58%

Rockland Electric Company
 Rate Counsel Recommended Distribution Rates
 and Proof of Revenue

	<u>Billing Units</u> (1)	<u>Present Distribution Rates</u>		<u>Recommended Distribution Rates</u>		<u>Increase</u>	
		<u>Rate</u> (2)	<u>Revenue</u> (3)	<u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Amount</u> (6)	<u>Percent</u> (7)
General Service - SC2 Secondary		SC2-S		SC2-S			
Service Charge							
Unmetered	9,106	\$ 6.92	\$ 63,015	\$ 7.40	\$ 67,386	\$ 4,371	6.94%
Non-demand metered	8,716	\$ 6.92	60,313	\$ 9.41	82,016	21,702	35.98%
Demand metered	78,469	\$ 6.92	543,004	\$ 13.08	1,026,372	483,368	89.02%
Demand Charge							
Summer							
First 5 kW	103,808	\$ -	-	\$ -	-	-	-
Over 5 kW	500,939	\$ 3.19	1,597,997	\$ 3.32	1,663,119	65,122	4.08%
Winter							
First 5 kW	214,014	\$ -	-	\$ -	-	-	-
Over 5 kW	927,073	\$ 2.74	2,540,179	\$ 2.85	2,642,157	101,978	4.01%
Distribution Charge							
Summer							
First 4,920 kWh	59,162,789	\$ 0.03544	2,096,729	\$ 0.03683	2,178,966	82,236	3.92%
All Over	129,080,606	\$ 0.02544	3,283,811	\$ 0.02644	3,412,891	129,081	3.93%
Winter							
First 4,920 kWh	111,826,682	\$ 0.03249	3,633,249	\$ 0.03376	3,775,269	142,020	3.91%
All Over	218,064,498	\$ 0.02544	5,547,561	\$ 0.026440	5,765,625	218,064	3.93%
Subtotal			19,365,857		20,613,800	1,247,943	6.44%
SC2 - Space Heating		SC2-SH		SC2-SH			
Distribution Charge							
Summer	10,189,970	\$ 0.03413	347,784	\$ 0.03690	376,010	28,226	8.12%
Winter	25,990,640	\$ 0.02204	572,834	\$ 0.02383	619,357	46,523	8.12%
Subtotal			920,617		995,367	74,749	8.12%
Total Distribution Revenues			\$ 20,286,475		\$ 21,609,167	\$ 1,322,692	6.52%

Rockland Electric Company
 Rate Counsel Recommended Distribution Rates
 and Proof of Revenue

	<u>Billing Units</u> (1)	<u>Present Distribution Rates</u>		<u>Recommended Distribution Rates</u>		<u>Increase</u>	
		<u>Rate</u> (2)	<u>Revenue</u> (3)	<u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Amount</u> (6)	<u>Percent</u> (7)
General Service - SC2 Primary			SC2-P		SC2-P		
Service Charge	1,046	\$ 6.92	\$ 7,239	\$ 70.09	\$ 73,326	\$ 66,086	912.86%
Demand Charge							
<u>Summer</u>							
First 5 kW	1,675	\$ -	-	\$ -	-	-	-
Over 5 kW	88,247	\$ 3.19	281,507	\$ 3.23	285,037	3,530	1.25%
<u>Winter</u>							
First 5 kW	3,418	\$ -	-	\$ -	-	-	-
Over 5 kW	160,273	\$ 2.74	439,149	\$ 2.78	445,560	6,411	1.46%
Distribution Charge							
<u>Summer</u>							
First 4,920 kWh	1,595,579	\$ 0.03544	56,547	\$ 0.03593	57,329	782	1.38%
Second	23,848,393	\$ 0.02544	606,703	\$ 0.02579	615,050	8,347	1.38%
Third	10,464,497	\$ 0.01260	131,853	\$ 0.01565	163,769	31,917	24.21%
<u>Winter</u>							
First 4,920 kWh	3,205,644	\$ 0.03249	104,151	\$ 0.03294	105,594	1,443	1.39%
Second	43,097,474	\$ 0.02544	1,096,400	\$ 0.02579	1,111,484	15,084	1.38%
Third	18,020,398	\$ 0.01260	227,057	\$ 0.015650	282,019	54,962	24.21%
Total Distribution Revenues			\$ 2,950,607		\$ 3,139,168	\$ 188,562	6.39%

Rockland Electric Company
 Rate Counsel Recommended Distribution Rates
 and Proof of Revenue

	<u>Billing Units</u>	<u>Present Distribution Rates</u>		<u>Recommended Distribution Rates</u>		<u>Increase</u>	
		<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>	<u>Amount</u>	<u>Percent</u>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Public Street Lighting - SC4			SC-4		SC-4		
Luminaires							
5,800 SV	18,576	\$ 4.73	\$ 87,864	\$ 5.95	\$ 110,527	22,663	25.79%
9,500 SV	12,672	\$ 5.18	65,641	\$ 6.51	82,495	16,854	25.68%
16,000 SV	1,920	\$ 6.35	12,192	\$ 7.98	15,322	3,130	25.67%
27,500 SV	1,620	\$ 8.19	13,268	\$ 10.30	16,686	3,418	25.76%
46,000 SV	2,724	\$ 13.25	36,093	\$ 16.66	45,382	9,289	25.74%
16,000 SV - Post Top - Off Set	672	\$ 12.50	8,400	\$ 15.71	10,557	2,157	25.68%
27,500 SV - Off Road	276	\$ 10.66	2,942	\$ 13.40	3,698	756	25.70%
46,000 SV - Off Road	672	\$ 15.08	10,134	\$ 18.96	12,741	2,607	25.73%
1,000 OBI	4,560	\$ 3.16	14,410	\$ 3.97	18,103	3,694	25.63%
2,500 OBI	24	\$ 4.34	104	\$ 5.46	131	27	25.81%
6,000 OBI	60	\$ 6.85	411	\$ 8.61	517	106	25.69%
4,000 MV	42,852	\$ 4.29	183,835	\$ 5.39	230,972	47,137	25.64%
7,900 MV	20,088	\$ 5.15	103,453	\$ 6.47	129,969	26,516	25.63%
12,000 MV	996	\$ 6.75	6,723	\$ 8.49	8,456	1,733	25.78%
22,500 MV	4,164	\$ 8.69	36,185	\$ 10.92	45,471	9,286	25.66%
40,000 MV	300	\$ 13.35	4,005	\$ 16.78	5,034	1,029	25.69%
59,000 MV	744	\$ 17.05	12,685	\$ 21.43	15,944	3,259	25.69%
4,000 MV - Post Top	0	\$ 6.43	-	\$ 8.08	-	-	25.66%
7,900 MV - Post Top	0	\$ 7.96	-	\$ 10.01	-	-	25.75%
7,900 MV - Post Top - Off Set	0	\$ 9.29	-	\$ 11.68	-	-	25.73%
Subtotal			598,346		752,005	153,660	25.68%
15 Foot Brackets	4,536	\$ 0.28	1,270	\$ 0.35	1,588	318	25.00%
Undrg - Co. Owned	-	\$ 10.41	-	\$ 13.09	-	-	25.74%
Undrg - Cust. Owned	-	\$ 2.53	-	\$ 3.18	-	-	25.69%
Total Distribution Revenues			\$ 599,616		\$ 753,593	153,977	25.68%

Rockland Electric Company
 Rate Counsel Recommended Distribution Rates
 and Proof of Revenue

	<u>Billing Units</u> (1)	<u>Present Distribution Rates</u>		<u>Recommended Distribution Rates</u>		<u>Increase</u>	
		<u>Rate</u> (2)	<u>Revenue</u> (3)	<u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Amount</u> (6)	<u>Percent</u> (7)
Private Overhead Lighting - SC6		SC-6 Dusk to Dawn		SC-6 Dusk to Dawn			
Luminaires							
5,800 SV - Power Brackets	84	\$ 3.03	\$ 255	\$ 3.81	\$ 320	66	25.74%
9,500 SV - Power Brackets	24	\$ 3.66	88	\$ 4.60	110	23	25.68%
16,000 SV - Power Brackets	48	\$ 3.99	192	\$ 5.02	241	49	25.81%
5,800 SV - Street Lights	276	\$ 4.15	1,145	\$ 5.22	1,441	295	25.78%
9,500 SV - Street Lights	624	\$ 4.59	2,864	\$ 5.77	3,600	736	25.71%
16,000 SV - Street Lights	408	\$ 5.68	2,317	\$ 7.14	2,913	596	25.70%
27,500 SV - Street Lights	564	\$ 7.36	4,151	\$ 9.25	5,217	1,066	25.68%
46,000 SV - Street Lights	624	\$ 12.11	7,557	\$ 15.22	9,497	1,941	25.68%
27,500 SV - Flood Lighting	3,312	\$ 7.36	24,376	\$ 9.25	30,636	6,260	25.68%
46,000 SV - Flood Lighting	8,688	\$ 12.11	105,212	\$ 15.22	132,231	27,020	25.68%
16,000 SV - Post Top	132	\$ 10.89	1,437	\$ 13.69	1,807	370	25.71%
Obsolete Luminaires							
4,000 MV - Power Brackets	372	\$ 4.64	1,726	\$ 5.83	2,169	443	25.65%
7,900 MV - Power Brackets	372	\$ 5.46	2,031	\$ 6.86	2,552	521	25.64%
22,500 MV - Power Brackets	60	\$ 8.89	533	\$ 11.17	670	137	25.65%
4,000 MV - Street Lights	216	\$ 5.08	1,097	\$ 6.39	1,380	283	25.79%
7,900 MV - Street Lights	552	\$ 5.91	3,262	\$ 7.43	4,101	839	25.72%
22,500 MV - Street Lights	5,016	\$ 9.38	47,050	\$ 11.79	59,139	12,089	25.69%
1,000 Inc.	12	\$ 4.11	49	\$ 5.17	62	13	25.79%
2,500 Inc.	0	\$ 5.41	-	\$ 6.80	-	-	25.69%
12,000 MV - Flood Lighting	288	\$ 7.48	2,154	\$ 9.40	2,707	553	25.67%
40,000 MV - Flood Lighting	84	\$ 13.91	1,168	\$ 17.48	1,468	300	25.66%
59,000 MV - Flood Lighting	1,044	\$ 17.50	18,270	\$ 22.00	22,968	4,698	25.71%
Subtotal			226,936		285,231	58,295	25.69%
15 Foot Brackets	912	\$ 0.28	255	\$ 0.35	319	64	25.00%
Private Lighting - SC6 Energy Only		SC-6 Energy Only		SC-6 Energy Only			
Service Charge							
Metered	943	\$ 7.01	6,610	\$ 8.31	7,836	1,226	18.54%
Unmetered	209	\$ 1.46	305	\$ 1.73	362	56	18.49%
Summer kWhs	721,771	\$ 0.03946	28,481	\$ 0.04679	33,772	5,291	18.58%
Winter kWhs	1,481,602	\$ 0.03946	58,464	\$ 0.04679	69,324	10,860	18.58%
Subtotal			\$ 93,861		\$ 111,294	17,433	18.57%
Total Distribution Revenues			\$ 321,052		\$ 396,844	75,792	23.61%

Rockland Electric Company
 Rate Counsel Recommended Distribution Rates
 and Proof of Revenue

	<u>Billing Units</u> (1)	<u>Present Distribution Rates</u>		<u>Recommended Distribution Rates</u>		<u>Increase</u>	
		<u>Rate</u> (2)	<u>Revenue</u> (3)	<u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Amount</u> (6)	<u>Percent</u> (7)
Large Gen. Serv. TOD - SC7 Primary		SC7-P		SC7-P			
Service Charge	245	\$ 138.36	\$ 33,898	\$ 147.26	\$ 36,079	\$ 2,180	6.43%
Demand Charge							
Period I	135,119	\$ 1.97	266,184	\$ 2.10	283,749	17,565	6.60%
Period II	130,586	\$ 0.49	63,987	\$ 0.52	67,904	3,918	6.12%
Period III	252,520	\$ 1.81	457,062	\$ 1.93	487,364	30,302	6.63%
Period IV	239,104	\$ 0.49	117,161	\$ 0.52	124,334	7,173	6.12%
Distribution Charge							
Period I	27,024,012	\$ 0.01649	445,626	\$ 0.01755	474,271	28,645	6.43%
Period II	38,160,130	\$ 0.01297	494,937	\$ 0.01380	526,610	31,673	6.40%
Period III	49,016,762	\$ 0.01649	808,286	\$ 0.01755	860,244	51,958	6.43%
Period IV	71,760,578	\$ 0.01297	930,735	\$ 0.01380	990,296	59,561	6.40%
Subtotal			3,617,875		3,850,852	232,976	6.44%
SC7 - Space Heating		SC7-SH		SC7-SH			
Distribution Charge							
Summer	2,938,616	\$ 0.03411	100,236	\$ 0.03849	113,107	12,871	12.84%
Winter	10,599,247	\$ 0.02203	233,501	\$ 0.02486	263,497	29,996	12.85%
Subtotal			333,738		376,605	42,867	12.84%
Total Distribution Revenues			\$ 3,951,613		\$ 4,227,456	275,843	6.98%

SUMMARY

TOTAL RATE REVENUES	\$	56,048,888	\$	63,255,648	\$	7,206,760	12.86%
					Target	\$ 7,206,057	
					Rounding	\$ 703	

Rockland Electric Company
Summary of Rate Counsel Recommended SC1 Rate Design

Line	Service Classification No. 1	Present Rates (1)	Recomm. Rates (2)	Increase		Recomm. Rate with SUT (5)
				Amount (3)	Percent (4)	
1	Customer Charge:	\$ 3.63	\$ 4.30	\$ 0.67	18.46%	\$ 4.60
	<u>Distribution Charge</u>					
	Summer					
2	First 250 kWh	\$ 0.03281	\$ 0.03891	\$ 0.00610	18.59%	\$ 0.04163
3	Over 250 kWh	\$ 0.03821	\$ 0.04531	\$ 0.00710	18.58%	\$ 0.04848
	Winter					
4	First 250 kWh	\$ 0.03281	\$ 0.03891	\$ 0.00610	18.59%	\$ 0.04163
5	Over 250 kWh	\$ 0.03281	\$ 0.03891	\$ 0.00610	18.59%	\$ 0.04163
	<u>Water Heating</u>					
6	Summer - All kWhs	\$ 0.02689	\$ 0.03189	\$ 0.00500	18.59%	\$ 0.03412
7	Winter - All kWhs	\$ 0.02689	\$ 0.03189	\$ 0.00500	18.59%	\$ 0.03412
	<u>Space Heating</u>					
8	Winter - All kWhs	\$ 0.02310	\$ 0.02740	\$ 0.00430	18.61%	\$ 0.02932

APPENDIX

APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Illinois Benedictine College with a Bachelor of Arts degree in Economics in December, 1974. In May, 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic joined the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.