



Rockland Electric Company

Margaret Comes
Associate Counsel
Law Department



VIA OVERNIGHT

August 8, 2017



Irene Kim Asbury, Secretary
Board of Public Utilities
44 South Clinton Avenue,
3rd Floor, Suite 314
P.O. Box 350
Trenton, NJ 08625-0350

ER17080869

RE: 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.

Dear Secretary Izzo:

On behalf of Rockland Electric Company, enclosed for filing are an original and eleven copies of the Verified Petition for Approval of an Energy Efficiency Stimulus Program and Associated Rate Recovery, including exhibits ("Filing"). Please note that the verification page is a copy of the original. The original will be sent via over-night to the NJBPU.

Ten CDs of the Filing also are enclosed.

Kindly stamp the enclosed extra copy "filed" and return it to me in the enclosed postage paid envelope.

CMS
LEGAL
DAG
RPA
T. Walker
S. Peterson
ENERGY (3)

Respectfully submitted,

Margaret Comes

Enclosures

c: Electronic service list
NJ Division of Rate Counsel

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



**IN THE MATTER OF THE PETITION OF
ROCKLAND ELECTRIC COMPANY FOR
APPROVAL OF A LOW INCOME AUDIT
AND INSTALL ENERGY EFFICIENCY
PROGRAM AND ASSOCIATED
RATE RECOVERY MECHANISM
(LOW INCOME III**

VERIFIED PETITION

BPU Docket No. ER17080869

Rockland Electric Company (“Rockland”, the “Company”, or “Petitioner”), a corporation of the State of New Jersey, which has its principal offices at One Lethbridge Plaza, Mahwah, New Jersey 07430, respectfully petitions the New Jersey Board of Public Utilities (“Board”) pursuant to *N.J.S.A. 48:2-1, et seq.*, for approval of a Low Income Audit and Direct Install Energy Efficiency Program and associated rate recovery mechanism, as follows:

INTRODUCTION

1. Petitioner is a public utility engaged in the distribution of electricity and the procurement of Basic Generation Service (“BGS”) for residential, commercial and industrial purposes within the State of New Jersey. The Company provides service to approximately 73,000 electric customers in an area having a population in excess of 200,000 persons, which extends from eastern Bergen County at the Hudson River to western Passaic County and small communities in Sussex County, New Jersey. Petitioner’s customer base includes approximately 64,000 residential customers.

2. Petitioner is subject to regulation by the Board for the purpose of setting its retail distribution rates and to assure safe, adequate and reliable electric distribution service pursuant to *N.J.S.A. 48:2-1 et seq.*

BACKGROUND

3. On January 13, 2008, then Governor Corzine signed into law legislation (“RGGI Legislation”) which found that energy efficiency is an essential element of the State’s energy future and provides significant benefits to the citizens of New Jersey.¹ The Legislature also found that public utility involvement in energy efficiency is essential. Pursuant to Section 13 of the RGGI Legislation, an electric or gas public utility (“Energy Utility”) may invest in energy efficiency and conservation programs in its service territory on a regulated basis. See N.J.S.A. 48:3-98.1(a)(1).

4. The RGGI Legislation requires that an electric or gas public utility seeking cost recovery for any energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board. On May 12, 2008, in BPU Docket No. EO08030164, the Board issued an order pursuant to N.J.S.A. 48:3-98.1(c) (“May 12, 2008 Order”) that allows an Energy Utility to offer energy efficiency and conservation programs in its service territory on a regulated basis provided that the utility files a petition and obtains Board approval for such programs and the mechanism for program cost recovery. The May 12, 2008 Order established that certain information must be filed along with such a petition. This requested information is set forth in the minimum filing requirements attached to the May 12, 2008 Order as Appendix A (“Minimum Filing Requirements”).

¹ The RGGI Legislation, P.L. 2007, c. 340, is codified at N.J.S.A. 26:2C-45 to 57, except that section 13, relating to Energy Utility energy efficiency investments, is codified at N.J.S.A. 48:3-98.1.

5. In December 2015, the State of New Jersey issued an updated Energy Master Plan (“2015 EMP”) which contains five overarching goals, including in particular to drive down the cost of electricity for all customers and to reward electricity efficiency and conservation and reduce peak demand.

6. On February 20, 2009, pursuant to the RGGI Legislation the Company filed a Verified Petition in BPU Docket No. EO09010061 setting forth its proposed energy efficiency stimulus programs, including Low Income Audit and Install Sub-Program (“Low Income Audit I Program”), and cost recovery mechanism.

7. On November 20, 2009, in BPU Docket No. EO09010061 the Board issued its Decision and Order Approving Stipulation that approved, among other things, the Low Income Audit I Program. The Low Income Audit I Program provided free energy efficiency measures, recommended as a result of an energy audit, to low income customers in the Company’s service territory. Eligible participants were Universal Service Fund (“USF”) Program participants, households with an income level at or below 225% of the federal poverty guidelines, and customers who received the following assistance: federal Supplemental Security Income; Home Energy Assistance; Lifeline; Pharmaceutical Assistance to the Aged and Disabled; and, Temporary Assistance to Needy Families or Section 8 Housing.

8. On June 21, 2013 the Company filed a Verified Petition in Docket Number ER13060535 (“Petition”) seeking Board approval to administer an Energy Efficiency Stimulus Program (“EESP”) and to implement an associated cost recovery mechanism pursuant to N.J.S.A. 48:3-98.1. The Company requested authorization to implement a “Low Income Audit and Direct Install Program Energy Efficiency II

Program (“Low Income Audit II Program” or “Program”), which would provide free energy efficiency measures, recommended as a result of an energy audit, to low income customers in the Company’s service territory. The energy audit and installation of energy efficiency measures would be performed by a vendor chosen by the Company. The Company explained in the Petition that the Low Income Audit II Program was designed to be similar in most material respects to the Company’s Low Income Audit I Program approved by the Board in Docket No. EO09010061. The Petition explained that the Low Income Audit I Program was successful and exceeded its initial goal of 100 customers, but funding for the Low Income Audit I Program would be exhausted by the end of January, 2014. The Petition sought Board approval to implement a three-year Program and recover program costs and revenue requirements through the Company’s RGGI Surcharge.

9. On April 23, 2014, the Board approved a Stipulation of Settlement that approved the Low Income Audit II Program but reduced the program from a three-year program to a two-year program. The Low Income Audit II Program commenced January 1, 2015 and terminated December 31, 2016.

10. Consistent with the State’s energy efficiency goals, the Company now files this Verified Petition (“Petition”) requesting Board authorization to implement its proposed Low Income Audit and Direct Install Energy Efficiency III Program (“Low Income Audit III Program”) pursuant to the RGGI Legislation.

11. On March 10, 2017, the Company participated in a pre-filing meeting with Board Staff and New Jersey Division of Rate Counsel (“Rate Counsel”) via teleconference. During this meeting, the Company advised the parties of the nature of the

Company's proposed Program, cost recovery mechanism, and the proposed minimum filing requirements to be submitted.

12. Included with the Company's Petition as Exhibit H is the cost benefit analysis of the Company's Low Income Audit and Direct Install programs conducted by the Center for Energy, Economic and Environmental Policy ("CEEEP"). The CEEEP analysis compared total dollars spent per kWh saved and incentive dollars spent per kWh saved to the NJCEP Comfort Partners program, and concluded that the Company's program "was 30% to 70% lower than the NJCEP Comfort Partners program in previous years." CEEEP also concluded that "Rockland Electric is saving more kilo-watt hours per participant in their program than other similar programs."

13. The success of the Company's programs is a function of the Company's knowledge of its customer base and access to those customers through its relationship as their electric utility. The Company can identify USF and Lifeline customers through automated file matches with the Department of Community Affairs ("DCA") and Office of Information Technology ("OIT"). The Company continues to identify new entrants receiving USF benefits and those that may be referred through RECO's Customer Service department. Additional marketing efforts in the Low Income Audit III Program will be expanded to reach all eligible participants. The Company will conduct customer outreach through direct mail, telephone contact, door-to-door neighborhood canvassing, community events, sponsorships of low income conferences, and working with local agencies and Weatherization Assistance Programs. These efforts are further detailed below.

14. The Low Income Audit III Program, like its predecessor, will provide an opportunity for the auditor to evaluate all energy efficiency savings opportunities, both electric and gas. The program will address the electric measures and refer the potential gas measures to the overlapping Public Service Electric and Gas Comfort Partners program.

ROCKLAND'S PROPOSED LOW INCOME AUDIT III PROGRAM

15. Consistent with the State's energy efficiency goals as set forth in the State's Energy Master Plan, the Company proposes to implement a Low Income Audit III Program to provide free energy efficiency measures, recommended as a result of an energy audit, to the Company's customers that meet the specified income criteria. The program will target participation by 100 eligible customers in each year of the two-year life of the program. The total projected cost of the Low Income Audit II Program is approximately \$225,800 in Year 1 and \$229,600 in Year 2 or \$455,400 over the two year program period. RECO has approximately \$356,000 remaining from the Low Income Audit II Program because average participation and measure spending was lower than projected. The average measure spending was \$1,554 per a home for an approximate total expenditure of \$293,000. RECO requests that it be allowed to supplement the remaining funds from the Low Income Audit II Program by adding \$100,000 to the remaining funds from the Low Income Audit II Program.

16. This Petition respectfully requests authorization for the Company to implement the proposed Low Income Audit III Program and to recover any costs of the Low Income Audit III Program through the Company's RGGI Surcharge, as detailed herein and in the testimonies submitted herewith. The Company intends the proposed

Low Income Audit III Program to be similar in most material respects to the current Low Income Audit II Program approved by the Board at Docket No. ER13060535, subject to the changes discussed herein and in the attached testimonies.

17. The Company will provide measures with an average value of \$1,600 per household in the first year of the Low Income Audit III Program with a cap of \$2,500 per household. Measures will be increased in the second year of the Program by 2.1% to account for the annual cost of inflation. Specifically, the average cost will increase to \$1,634 per household, in the second year of the Program (capped at \$2,553). Measures covered must be identified by the audit as cost-effective. Upon customer acceptance, installation of recommended measures may take place at the initial visit and/or follow-up visits as necessary.

18. As was the Low Income I and II Programs, the Low Income Audit III Program is designed to provide customers currently enrolled in the USF Program, households with an income level at or below 225% of the federal poverty guidelines, and customers who receive federal Supplemental Security Income, Home Energy Assistance, Lifeline, Pharmaceutical Assistance to the Aged and Disabled, Temporary Assistance to Needy Families or Section 8 Housing with energy efficiency measures at no charge based on results of an energy audit. This market segment is challenged economically to meet basic needs alone and therefore realizes a critical market barrier to making energy efficiency investments. Limited marketing dollars along with the difficulty identifying and/or targeting other eligible low income participants in the service territory have limited the Company's capacity to introduce more participants. Furthermore, the

Company outlines a number of strategies to achieve expanded enrollment and energy savings:

- Strengthen outreach using Community Based Organizations (“CBOs”), community leaders and social marketing tools to drive program awareness;
- Coordinate communications between the Company and OIT to provide service offerings that are seamless for the customer;
- Use OIT data to identify eligible participants
- Increase collaboration, leveraging the New Jersey Department of Labor and other low income programs such as federal Weatherization Assistance Program (“WAP”) agencies and services;
- Develop a reputable and trustworthy brand for the Low Income Direct Installation program; and
- Improve program deliverables and provide low income customers with measures that provide the maximum level of energy savings.

19. The Company will identify the eligible customers with the highest electric usage for initial marketing. Customers who had measures installed in the Low Income Audit II Program will not be eligible to participate in the Low Income Audit III Program for five years.² Through these proactive outreach strategies customers will be offered the program until all enrollments are complete or until the spending level has been met, whichever comes first.

² The Company reserves the right to waive the participation requirement in the event of a natural disaster.

20. Participating customers will receive at no charge an energy audit provided by a Building Performance Institute (“BPI”) certified auditor which will include health and safety testing, initial blower door readings, identification of cost effective measures, and information to encourage the customer to accept the measures offered by the program as well as to proceed with other actions they might perform on their own to facilitate their reduction of energy use.

21. The Company selected, through a competitive bid process, a contractor to install the eligible measures for the Low Income Audit II Program. As required by the Board Order and Stipulation of Settlement, the Low Income Audit II Program commenced in January 2015 after the completion of the bid for a vendor. To avoid unnecessary delay in implementation of the Low Income III program by bidding for another vendor, the Company proposes to continue with the existing vendor for the Low Income Audit III Program.

22. The Company will mail an “Energy Savers” quarterly newsletter to customers who have participated in the Low Income Audit II Program. Topics discussed in the newsletter will include, but not be limited to, energy saving tips, ways to develop an energy behavior plan, information on the energy usage of various appliances and other proactive steps that customers can undertake to lower energy usage. As a quarterly newsletter, the information would be tailored to the specific time of year. Customers would receive the newsletter for one year after participation in the Program.

RGGI MINIMUM FILING REQUIREMENTS

23. As noted above, on March 10, 2017, the Company participated in its required pre-filing meeting with Board Staff and Rate Counsel. The Low Income Audit

III Program is a pilot program. Accordingly, the Company must submit the information set forth in Sections I, II, III and IV of the RGGI Minimum Filing Requirements. The Company is not required to submit a cost/benefit analysis set forth in Section V of the RGGI Minimum Filing Requirements.

24. The Company submits that the proposed Low Income Audit III Program is a continuation of the Low Income Audit II Program, with certain modifications. The Low Income Audit II Program qualified as a pilot program; therefore, the proposed Low Income Audit III Program will be filed as a pilot program.

25. Exhibit A attached to this Verified Petition, and incorporated herein by reference, contains the applicable information required to be filed by the Company as set forth in the RGGI Minimum Filing Requirements.

26. The Company requests a waiver of the submission of proposed draft contracts with this Petition (see item II(j) of Exhibit A). As noted above, the Company intends to continue with the Low Income Audit II Program vendor to avoid delay in implementation. The current vendor contract will be provided during the discovery process upon the execution of an appropriate confidentiality agreement if deemed necessary.

COST RECOVERY PROPOSAL

27. RECO requests that the Board grant approval of rate recovery of all Low Income Audit III Program costs of \$455,400, as detailed in the testimony of Company witness John de la Bastide. Further, pursuant to the RGGI legislation³, the Company is requesting that the carrying charge on its deferred balances for the Low Income Audit III Program be based upon RECO's overall weighted average cost of capital ("WACC")

³ *N.J.S.A. 48:3-98(b) and N.J.S.A. 48:3-98.l(a)(3).*

authorized by the Board in RECO's most recent base rate case⁴ (i.e., 7.47%), based upon a return on equity of 9.6%), together with the income tax effects. The RGGI Legislation provides that "program costs" for utility energy efficiency and conservation programs include full return on invested capital contributions associated with the implementation of the energy efficiency or conservation programs. Accordingly, RECO should earn a return at its WACC on its unrecovered balance in the Low Income Audit III Program, just as it would on any utility capital investment. See Testimony of Company witness John de la Bastide, which describes the proposed cost recovery mechanism and rate impacts on customers.

28. As discussed in the testimony of John de la Bastide, RECO proposes to recover its Low Income Audit III Program costs, including the above-described return, through the Company's RGGI Surcharge.⁵ The Company recovered the costs of the Low Income Audit II Program through the RGGI Surcharge. The RGGI Surcharge will be calculated annually on a cents per kWh basis and applied to all of RECO's electric distribution customers. The RGGI Surcharge would be set initially to recover estimated annual expenditures as approved by the Board for the Company's Low Income Audit III Program. The RGGI Surcharge would be subject to deferred accounting with interest, and would be reconciled on an annual basis.

29. Low Income Audit III Program expenditures will be recovered over a 10-year period beginning in the billing period commencing after the expenditure is made. The associated cost of financing the unrecovered balance will be calculated on a monthly

⁴ *I/MIO* the Verified Petition of Rockland Electric Company for Approval of Changes in Electric Rates. Its Tariff for Electric Services and Its Depreciation Rates; Approval of an Advanced Metering Program; and for Other Relief, Docket No. ER16050428, Order Approving Stipulation (February 22, 2017).

⁵ A draft tariff leaf reflecting the proposed Low Income Audit III Program component of the RGGI Surcharge is included as Attachment A to John de la Bastide's testimony.

Schedule 2:

- Low Income Audit III Revenue Impacts by Category

Exhibit D – Rockland Comparative Balance Sheets 2013-2015, Q3-2016

Exhibit E – Rockland Comparative Income Statements 2013-2015, Q3-2016

Exhibit F - Statement of Revenues 2013-2015, Q3-2016

Exhibit G - Capital Structure

Exhibit H - CEEEP Analysis of Rockland Low Income Programs

Exhibit I - Low Income III Projected Energy Savings

Exhibit J - Low Income III Greenhouse Gas Emissions Reductions

Exhibit K –Public Notice

32. Communications and correspondence related to this Verified Petition

should be sent as follows:

Margaret Comes, Esq.
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(212) 460-3013
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and

Donald E. Kennedy
Director – Customer Energy Services
Orange and Rockland Utilities, Inc.
390 W. Route 59
Spring Valley, New York 10977
(845) 577-3614
kennedyd@oru.com

CONCLUSION AND REQUESTS FOR APPROVAL

For all the foregoing reasons, the Company respectfully requests that the Board retain jurisdiction of this matter and review and expeditiously issue an Order approving this Verified Petition, including but not limited to specifically finding that:

1. The proposed Low Income Audit III Program, cost recovery and accounting, as set forth in this Verified Petition, is reasonable and prudent and complies with the requirements of the Board's requirements;
2. The Company is authorized to recover all costs requested herein associated with the Low Income Audit III Program, which will be recovered through its RGGI Surcharge, that would be filed annually;
3. The carrying charge on its deferred balances for the Low Income Audit III Program be set based upon the Company's overall WACC authorized by the Board in the Company's most recent base rate case, together with income tax effects;
4. Authorizing such other or further relief as may be necessary and proper.

Respectfully submitted,

ROCKLAND ELECTRIC COMPANY

By 

Margaret Comes, Esq.
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Rockland Electric Company.
Law Department, Room 1815-S
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New York, New York 10003

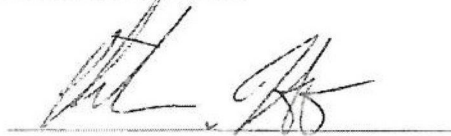
Attorney for Rockland Electric
Company

Dated: August 3, 2017

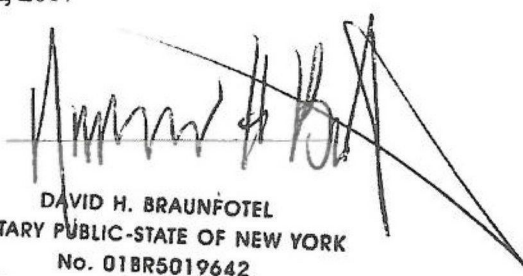
STATE OF NEW YORK)
 : ss
COUNTY OF ROCKLAND)

CHRISTINA HO, of full age, being duly sworn according to law, on his oath
deposes and says

1. I am the Vice President of Customer Service of Rockland Electric Company, the petitioner in the foregoing Verified Petition.
2. I have read the annexed Verified Petition, and the matters and things contained therein are true to the best of my knowledge and belief.



Sworn to and subscribed to
Before me this 3 day of
August, 2017



DAVID H. BRAUNFOTEL
NOTARY PUBLIC-STATE OF NEW YORK
No. 01BR5019642
Qualified in Rockland County
My Commission Expires October 25, 2017